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ABSTRACT

The following papers are included: "Defining the Win and Thereby Lessening the Losses for Successful Entrepreneurs" (Arthur Lipper III); "It Can Be Done" (Anthony Lemme); "A Self-Portrait of Entrepreneurs" (George T. Solomon, Erik K. Winslow); "Software Entrepreneurship: Lessons Learned" (John Coyne); "Developing and Implementing Entrepreneurial Cultures" (K. Mark Weaver); "New Venture Techniques that Work: The Celluland Story" (George L. Hess, Kenneth A. Willig); "Supporting Creativity within Commercial Enterprises" (Bruce G. Whiting); "People Say It's a Great Idea: Blue Crab Bay Company" (Pamela Barefoot); "Lateral Thinking: The Underlying Variable Influencing Creative, Innovative, and Entrepreneurial Characteristics" (L. W. Fernald, Jr.); "Evaluating a Business Opportunity" (Steve Marshall Cohen); "The Entrepreneurial Endeavor: Taking the Exam before You've Taken the Course" (Arax M. Kalajian); "The Ohio Ventures in Business Ownership Project" (M. Catherine Ashmore); "Rx for Advertising" (Edmond A. Bruneau); "Creative Approaches to Marketing Strategies for Entrepreneurial Ventures" (John T. Redington); "Entrepreneurship Education for America's Youth" (M. Catherine Ashmore, Lou Perry, Sonia Price); "Trends in Incubator Development and Management Assistance Strategies for Incubators" (Anthony M. Robinson); "Control Data Corporation's Business Development Programs: Tools to Assist Today's Entrepreneur" (Gene Agerton); and "The Third Year of New Business in America: A Progress Report" (William J. Dennis, Jr., William C. Dunkelberg). (MN)

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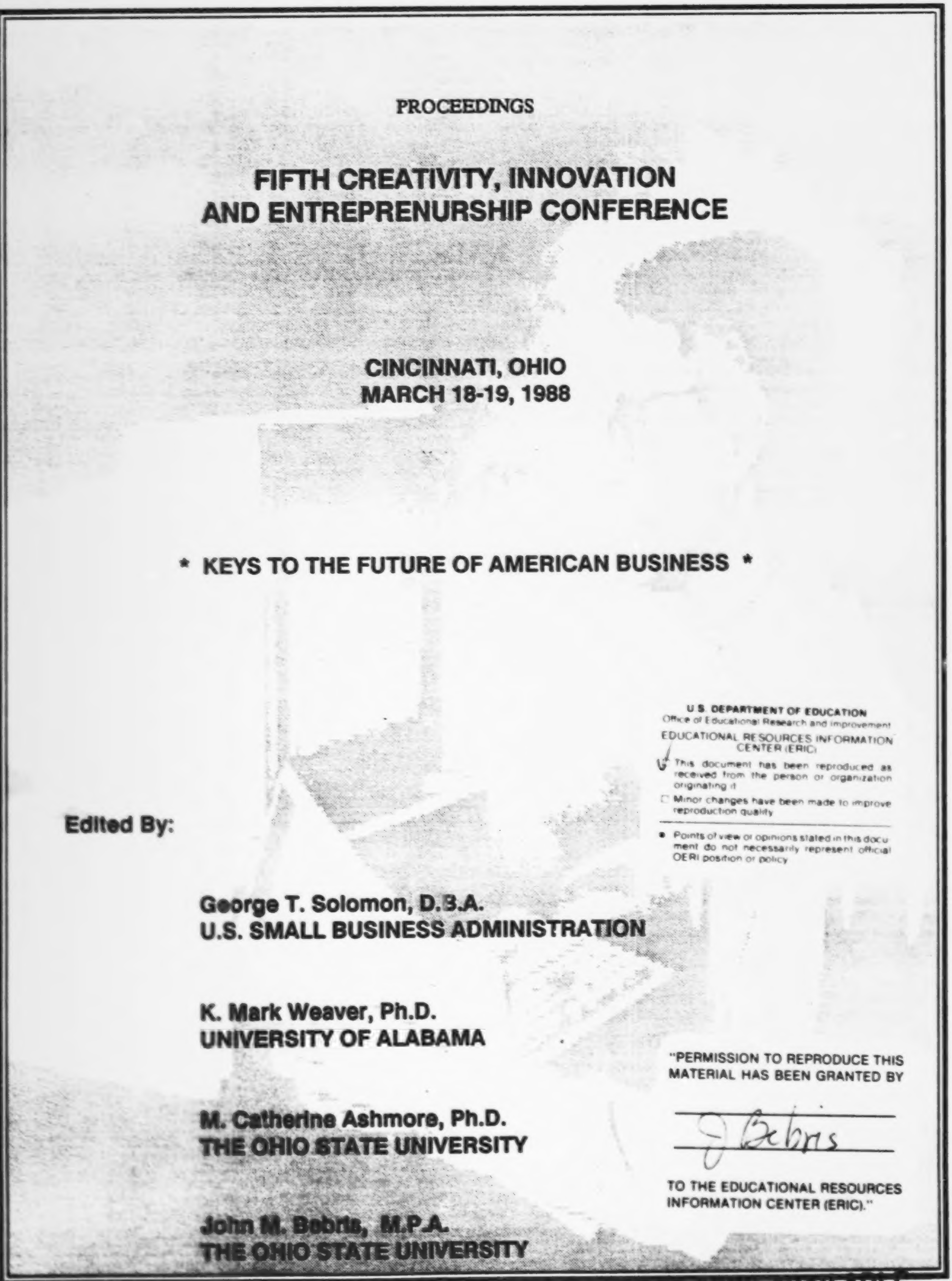

PROCEEDINGS

# FIFTH CREATIVITY, INNOVATION AND ENTREPRENURSHIP CONFERENCE

CINCINNATI, OHIO
MARCH 18-19, 1988

## * KEYS TO THE FUTURE OF AMERICAN BUSINESS *

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FOR ENTREPRENEURIAL BUSINESS OWNERS & INVESTORS
**Venture**

**ARTHUR LIPPER III**
CHAIRMAN

Keynote Address for

The 5th Annual
Creativity Innovation & Entrepreneurship Conference
Keys To The Future Of American Business
March 18-19, 1988
Hyatt Regency Hotel, Cincinnati, Ohio

# Defining the Win and Thereby Lessening the Losses for Successful Entrepreneurs

by
Arthur Lipper III
Chairman and Editor-in-Chief

Venture Magazine
For Entrepreneurial Business Owners & Investors

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The successful hunter frequently is an intuitive and seemingly impulsive creature. The successful hunter seems to know his position and that of his prey or objective at most times. The successful hunter does not appear to be indecisive or tentative. In many ways, entrepreneuring and hunting are similar. This is not to suggest that entrepreneuring is a zero sum game. It is not. I believe that it is quite to the contrary in that rather than there being a loser for every successful winner, as is the case in commodity market trading, entrepreneurial successes always create communal wealth along with individual wealth.

That which makes hunting for pleasure or food, relatively uncomplicated is a forced focus and acknowledged definition of success, and therefore also of failure. A successful hunting mission results in a kill if successful, as such is the goal. Hunger or disappointment accompanies a non-kill failure, and that which has been a wasted effort. It is all very basic and unburdened by the veneer of civilization. The successful survive and the others do not.

Being an entrepreneur is similar in many respects to being a hunter. Perhaps this is one of the reasons why there has traditionally been a gender imbalance favoring successful male entrepreneurs. The incurrance of personal risk is generally accepted, though not necessarily perceived, by the

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entrepreneur in pursuit of a goal, which in business is usually called profit. Those who are successful usually continue until they either choose to cease the exercise or lose by no longer being able to achieve profit. Some, having entrepreneurial tendencies and desires but not having the requisite resources, skill or good fortune, never achieve profit and some would say have never, therefore, been successful.

I disagree. An entrepreneur can be successful, truly successful, without ever achieving significant levels of monetary profit if his definition of success envisions other than monetary measures and he programs his business and life accordingly.

Not all capable individuals, regardless of their level of motivation or even ability, are able to acquire vast wealth. Even in our wonderful country, which far too few truly appreciate or are willing to sacrifice for, it is not always possible to create money fortunes. Are these individuals therefore, by definition, unsuccessful? I think not. Do they think of themselves as being unsuccessful if they have not been able to achieve a listing on the _____ (oh what's that other leading business magazine's name? I never can remember.) 400 wealthiest Americans? I hope not.

Do you know what happens to a baseball player who each time at bat thinks only in terms of hitting a home run? Yes, you do. He usually strikes out. Why does he not "settle" for the seemingly easier and more predictable base hit, allowing other team members to do their thing, resulting in the desired cumulative result? Is it personal or team ego? Is it training or coaching? Is it prodding by the other players, opponents and/or fans? Why does he not strive for the "art of the possible and more predictable"? Wouldn't coaching a baseball team be a much easier job if there were a greater assurity that all of the players would likely get on base? Wouldn't lending to, or investing in, private companies be easier and more rewarding were there an assurance of their earning at least a small profit?

Why must the pressures generated by the popular press' need for high drama be such that only the very dramatic seems worthy of the effort and all efforts not of heroic proportion hardly worth noting?

Balance is the single word which describes the constructive matching of an individual's emotional and psychological need-based strivings and an intellectualized positive risk/reward appraising reality acceptance.

It is, of course, true that some entrepreneurs have succeeded, and mightily so in some very dramatic cases, specifically because they persevered in face of a risk/reward analysis which clearly, to observers of the entrepreneur, dictated a cessation of the entrepreneur's activities. They were certainly lucky and possibly brilliant and by defying the odds and conventional reason and wisdom, won. Unfortunately, the legends surrounding these entrepreneurs and their deeds have become sirens for countless others whose lives are ultimately dashed on the rocks of reality. There is a point in the life of most entrepreneurs when they should rethink and reform their objectives. A dream is most frequently a wish for that which is not presently available. A dream does not have to be inflexible, unmoving or static. A dream should, to be healthy and constructive, reflect that which is just beyond reach, but still achievable. Otherwise the dream becomes a fantasy and perhaps a destructive fantasy to the point of becoming a nightmare. To achieve, at all cost, their fantasy the individual could be forced to disregard any number of society protecting barriers which are perceived to be responsible for denying the dreamer his destiny. Otherwise, when the fantasied result is not achieved the individual perceives a total personal failure.

Certainly, entrepreneurs must have a dream. Clearly, the successful entrepreneur has an image of that which he must have which is not his currently. But must that dream be unlinked to that which is predictably possible?

Question. What do entrepreneurs do worst? Answer. Predict future events, particularly those over which they believe they have an element of, if not complete, control. Why do these intelligent, intuitive and motivated individuals do such a terrible job of predicting their's and therefore other's futures? Because the entrepreneur, with all of his skill and wonderful qualities, believes, no, he "knows", that his success is a function of his ability to control his future. Therefore, the entrepreneur views as a failure anything short of predicted success. Entrepreneurs tend to see things in blacks and whites without much grey. He either wins or loses. People are either for or against him. Being an entrepreneur can be a shuttle between manic depressions and magnificent highs. In other words, the ability of the entrepreneur to predict becomes the entrepreneur's definition of success. For many entrepreneurs, the ability to predict events accurately is tantamount to being able to and being in control. It all can be so very self defeating and unnecessarily destructive.

What can be done by those of us assuming the responsibility of assisting in the development and education of entrepreneurs to assure a greater level of entrepreneurial success? Answer. Help the individual entrepreneur define his or her personal success in terms which are both realistic and flexible. I believe that thinking in relative terms, rather than having to deal with absolute values, is usually constructive and helps people focus on degree of change rather than specific levels.

In our materialistic society money is the most universally used measure of success, be it relative to revenues or profits. That's fine for many situations and, in the end, perhaps it all does come to money. After all, money is power and power is desired by most and attained by few. Nevertheless, there are other objectives which can be sought and achieved. These include: creating products or services which are both useful and of inherently high quality, developing products or services which are unique and which permit users to become more effective, creating new markets and/or gaining market share and, of course, simply surviving as a going business during periods of turmoil and difficulty.

If entrepreneurs were both taught the skills, and had the nature to do a better job of risk assessment, there would be fewer disappointments. If entrepreneurs were taught, or had the nature, to strive for significant improvement rather than repetitive quantum leaps there would be fewer major setbacks. If entrepreneurs were helped to gain an understanding that only a fraction of those events which are likely to impact their plans and future are actually within their control, they would be able to gain a greater perspective than I believe most usually hold. It is the entrepreneur's need to believe that he can control future events which makes it so hard for him to let go, even when, on an intellectual level, he understands the negative shifting of risk and reward probabilities.

The defining of that which constitutes a meaningful "win" during a specific period, and that which is a win during one period will not necessarily be a win during a different period, would help entrepreneurs make better decisions. If the entrepreneur had been successful in achieving a win, and truly recognized that to be the case, wouldn't he be more realistic about the wisdom of continuing a business once the odds shifted? In other words, wouldn't the emotional and psychological fulfillment of having already achieved a win, no matter how defined, lessen the sometimes irrational and destructive need to continually prove oneself ever and always successful? The entrepreneur has such a strong need to prove himself worthy that he is frequently driven to lengths and heights which are inherently unsafe. Knowing that he had already achieved a planned and meaningful success could create a constructive, which in this case means more conservative, psychological underpinning for decision-making.

Loss avoidance is a constructive, fear-based, mind-set and skill which, if carried to an extreme, is immobilizing. The process of avoiding loss is one of listing the "could go wrongs" and of observing the "have gone wrongs" adversely impacting others. There is little reason to have to learn only by one's own mistakes when there are so many mistakes of others which one can observe and try to understand. Those of us involved in profit education, which is the editorial mission of *Venture* magazine, should first understand and then highlight, the mistakes made by entrepreneurs in order to spare others from having to follow the same path.

The entrepreneur, being as optimistic and/or certain of his own ability to control his future, is not naturally a worrier about loss. It would be better were he less certain of ultimate victory as then he might invest some energy in covering his flanks and rear and even of locating possible reinforcements should the need arise.

Were we to impress on entrepreneurs, particularly younger entrepreneurs, the need for alternative or contingency planning we would be performing an invaluable educational service. One of the question areas investors considering participating in an entrepreneur's dream should explore with the entrepreneur is "what if *it* (whatever the "it" is for that enterprise) does not occur as predicted? What will you, the entrepreneur, do then?". Typically, the entrepreneurs will not have a good answer. This reluctance to articulate the unthinkable, or the genuine lack of prior consideration given to the possibility of a desired event not occurring should not disqualify the project for investment but should give rise to a further questioning of projected events and perhaps, just perhaps, managerial maturity or , at least, objectivity.

Remember, however, as entrepreneurs, as well as financiers of, and mentors to, entrepreneurs that "first must come the dream and then the reality, as without the dream there will be no launching of the missile". The application of cold logic did not build this nation. Men and women with dreams created that which most of us enjoy. In many cases they did "it" because no one they chose to believe told them they couldn't do "it".

In summation, I believe it would be wholly constructive were entrepreneurs to be given a focus and perspective which would permit them to:

measure their successes in such a way as to understand that winning a lot is usually a result of lots of little wins and that these shorter term, and perhaps therefore, lesser gains, should be understood as being important, understand that not every situation is destined to workout as desired and that most human endeavors fail to achieve the results originally predicted by the original project conceivers and initiators,

understand that truly important successes are usually only measured and measurable long after the event has occurred,

understand that survival, staying in the game, is vital for ultimate success to be achieved,

understand that ultimately winning, in retrospect, may well be understood to have been a matter of having had the judgment and courage to withdraw at some point, while there were still resources available, for future recovery and counter-attack,

and finally, that losing money and currently perceived opportunity is a part of the process and not the end of the world.

I frequently think that a phoenix would be a better entrepreneurial symbol than the more traditional eagle. The overly macho entrepreneur is, of course, all too often most concerned with either thinking of himself or, of having others think of him, as a chicken.

We, many of us in this room this morning, are in a position of being able to give entrepreneurs a precious gift, a gift they deny themselves frequently in becoming entrepreneurs. That gift is perspective. Those of us in a position to be heard have, I believe, an obligation to attempt to share that which we have learned with our country's entrepreneurs. It is these entrepreneurs who have an ability to so positively impact disproportionate numbers of Americans. The American entrepreneur is one of our country's most important natural resources. Let's each of us do what we can to increase the ratio of entrepreneurial successes by helping entrepreneurs define winning realistically, for themselves, without having to be burdened and restricted by applying definitions of winning which may, by virtue of circumstance and preference, be more applicable to others.

# "IT CAN BE DONE"

by Anthony Lemme
President, Source Intermarketing Corp.

I'm very glad I made it here today. About a year ago I was hoping to make a speech about overcoming the struggles of entrepreneurship. A talk to help business people like yourselves. But two things prevented that speech: I almost found myself without a business to discuss, and no one asked me to speak.

When my business was failing, I would have given anything to listen to someone speak on how to deal with the often frustrating and lonely road of the entrepreneur. In fact, I'd have set off down the yellow brick road to search for the Wizard of Oz if I it could have helped my business. Today I'm here to tell you about the lowest lows an entrepreneur can reach -- because that's where I was a year ago.

And I also want to tell you about the highest highs that await the entrepreneur who makes it over the rainbow to Oz. Because today, I have a business that is successful beyond my wildest dreams.

I'll tell you how I was able to overcome some formidable obstacles to finally achieve my dream -- and how you can too. It can be done! But you've got to want to succeed more than you've ever wanted anything in your life. And you've got to be willing to pay the price.

When I was asked to give this talk today, I accepted because I thought maybe one of you was in the same situation I was in when my business was failing. Maybe one of you is despairing over your ability to succeed. And if I'm able to convince just one of you to be persistent enough to achieve your dream I'll have achieved what I set out to do when I agreed to make the first speech of my life today.

At one point or another my partner, who happened to be my older brother, my wife, my kids, my father, my dog, the neighbors kids, friends and business associates said, "Anthony, why don't you just give up. It's never going to work! Why don't you get a job? " Like the Lion in the Wizard of Oz, I needed a wizard to give me courage. And a lot of other people probably wondered if, like the dear old scare crow, I needed a new brain. I often felt I needed a new heart, because mine sure was breaking. Where, oh where was the Good Witch of the East when I needed her help. But somehow, I pressed on. Only an entrepreneur could understand that getting a job is easy, but working against all odds to make your dream a reality is the real challenge.

When I failed, boy did I ever fail big! Scraping together my meager savings, and the money my wife Jay and I were saving for the kids' college education, and re-mortgaging our home, I started a company called International Standard Imports in 1985. I was convinced our first product was so unique that it couldn't possibly fail. The product was called Spumasta. Would those of you who ever drank Spumasta please raise your hands now...(sarcastically) Yeah, I thought so.

Spumasta had everything going for it. It was the first sparkling blush wine imported from Italy. It was the one of the first consumer products ever to have a hologram on the label. It came in a gift box that played tunes ranging from "Happy Birthday" to "The Anniversary Waltz" when the lid was opened. All this and more for only $5.95. As a food editor of a national newspaper said, "It's got everything on it but a mini-skirt!"

The only thing Spumasta didn't have was a fool-proof solution for the problems that can make a new product fail. There is more to success than a good product and hard work. Perserverance and luck are also very important. Someone once described luck as an intelligent person taking advantage of a good opportunity. Thus defined, luck often is the entrepreneur's greatest asset, but I'll get to that a bit later.

It soon seemed that the only thing I didn't have to do to bring Spumasta to market was stamp the grapes with my own feet. Sometimes I was certain I could find my way down that yellow brick road to Oz. Other times, I thought my small firm was starring in a modern version of The Perils of Pauline!

First there were problems with the holographic labels. Because the technology used to produce the labels was brand new, it was impossible to have anticipated the difficulties of working with them.

We had troubles with the production, and printing, and then when we finally ironed out those problems, we learned that the labels simply would not stick to the bottles. The labels acutally melted when the glue was applied. Changing printers made the problems even worse.

I can still see (and hear) my wife and I lying on our backs in an un-air-conditioned printing plant near the Italian wine region in the blazing heat of early July, holding blowdryer and fans, trying to dry rack upon rack of labels. It took a full month before the labels were dry enough to be glued onto the bottles. And the whole time, my brother (and partner,) Wayne, kept telexing me, saying distributors were *concerned* about the delay in their orders.

The delay caused by the non-sticking labels was made much worse by a long-standing Italian tradition. We had to deliver the labels to the bottler long before July's end, or we would not have any Spumasta to fill Christmas orders.

That's because it's awfully hot in Italy in the summer - and there's no air-conditioning -- and all of the factories in the entire country shut down for the whole month of August.

To ensure my Christmas orders would be filled before the shut down I wound up working sixteen hours a day on various technical aspects of production. I even worked on the assembly line. By the time I headed back to the states, I felt confident that everything would be allright and that our Christmas orders would be fine. I was wrong.

Despite all the extra effort I was only able to ship half of the holiday orders. I sure felt a lot like the brainless Scarecrow in the Wizard of Oz that Christmas!

Then there was the time my brother and I arrived at the port in New Jersey, eager to accept a large shipment of Spumasta that was intended for immediate delivery to a new distributor.

Unfortunately, the freighter carrying our shipment had encountered many severe storms that caused the ship to sway and pitch very violently. Nothing bad happened to the ship or the crew, but the same could not be said of the Spumasta.

All this motion caused several thousand musical gift boxes to open and play the micro-chip generated songs intended for their recipients ears. Not only did the songs play once, they played over and over, thousands of times, until the tiny chips had played their little hearts -- and their batteries -- out.

So in the middle of winter, in an unheated warehouse, my brother and I found overselves replacing several thousand batteries, one by one, by hand.

Finally in the spring of 1986 all the shipping and technological problems appeared to be straightened out. A solid distribution network was in place, and consumer interest in the product was growing because of all the publicity it had recieved. I'd hired a PR firm who made sure Spumasta was seen on CBS-TV, in *The Wall Street Journal*, *Good Food Magazine*, and in wire service stories by The Associated Press and United Press International. I was ready to take the country and the giants of the wine industry by storm.

In the back of my mind though, there was this little doubt: what else could possiby happen that hasn't already happened? After all, we'd yet to meet the Wicked Witch of the West! Well, I didn't have to wait long to find out. The best was yet to come.

In April came the Italian wine scare. Some of you may remember reading about it. A few brands of wine from Italy had been contaminated by greedy vintners trying to increase their volume by mixing chemical additives to the wines.

In Italy 22 people died from drinking the contaminated wine, while in the United States, retailers began pulling Italian wines from their shelves as a safety messure.

Fortunately, Spumasta was not one of the contaminated wines. But unfortunately, the United States government banned the sall of ALL Italian wines for TWO MONTHS!

The government even established an embargo that prevented any shipments of Italian wines into the U.S. When the ban was removed it would have taken me six weeks to get the product to my distributors -- if any of them had still wanted it!

It sure started to seem like the handwriting was on the wall. Shortly after the Italian wine scare, I was no longer able to afford the mere $78 a month I was paying to rent office space. So I moved my base of operations back to my home. This meant the long days -- 14 to 16 hour days -- would now be spent working out of the family den. It was as if I were a prisoner of my own house.

Memories of bills getting lost in a stack of last week's newspapers; my wife having to yell at the kids to be quiet while I was in the middle of a long-distance business call; and stopping myself from screaming when I discovered that my daughter had drawn me a lovely little picture on the back of my itinery for a trip to the mid-west were things anyone would want to forget. You can believe my wife wasn't too pleased with the arrangements either. But she stood by me through it all, however grumpily.

About this time -- I know it's hard for you to believe -- but things actually got *worse*! The bank threatened to foreclose on our mortgage. My line of credit was stretched past the point of no return, and I couldn't possibly borrow any more money from friends or relatives.

My company, International Standard Imports never quite recovered from the Italian wine scare, and it often seemed I never would either.

I'd hit the bottom of the barrel. We were in debt up to our necks. Everything we'd ever owned was in this business. I asked myself, "Now what?" Financially, emotionally, morally, everything was telling me 'Don't do it.'

But a little voice inside me kept saying "Don't quit now Anthony, don't quit now!" And then, all of a sudden, I didn't hear the negatives anymore. I was determined to do whatever it took to make my business succeed.

It would have been very easy at that time in my life to chuck the whole ball of wax out the window and get a job. But instead of doing something sane or rational, I headed off to Europe on a 13-country tour to try to peddle my remaining stock of Spumasta.

Why Europe, you may be asking yourselves. Well that's simple! Hardly any distributor in the United States wanted to hear another word about Spumasta!

This time around, Europe wasn't exactly pleasant for me. I knew this trip would determine the course of the rest of my life. Everything I had, or ever would have, was at stake.

Lo and behold, I made some sales and even secured a batch of appointments for the coming weeks. But the news from home concerning our financial straits was far from encouraging. During one of my many homesick calls Jay must have read the depression in my voice, because a few days later my father surprised me by arriving unannounced at my hotel in Belgium.

Though it was good to see my father -- whose successful career in the wine business had been my inspiration -- even his being with me and letting me lean on his shoulder wasn't enough to bring me out of my deep funk.

Here I was, with a wife and two small children who I adore. They were relying on me rot only financially, but also emotionally. I wanted to give them everything they ever wanted. And I couldn't even keep food on the table.

Fortunately, it doesn't take much to encourage an entrepreneur. I think God looks out for fools and entrepreneurs. It's like a man trying to cross a dessert. He goes from oasis to oasis. It's the same with entrepreneurs. We keep making little deals with ourselves. "If I don't make it by the end of the first quarter, I'll give it up," we promise ourselves. But then some minor incident gives us a glimmer of hope, and we realize we have to give it just a little more time. And then a little more. And usually a little more after that.

Now I was up to my knees in alligators. And I was having trouble remembering that my original purpose was to drain the swamp. I admit it, the day my dad arrived, I had decided to take the next plane home to Connecticut. But somehow my father's presence provided the little glimmer of encouragement that persuaded me to keep the appointments I had arranged for the upcoming week. Talking to my dad gave me the strength to say to myself, "Anthony, you're already here, the appointments are set, just go."

Then suddenly this crazy thought crept into my mind that maybe there was light at the end of the tunnel. There really is a Wizard of Oz, I thought. Maybe my wife, my dog, my neighbors, and my father didn't really want me to throw in the towel. Maybe my crazy determination made them realize how much I wanted to make my dream work. Maybe, just maybe, they were rooting for the underdog ... me. Of course, I wasn't about to let them all down now.

Though the thought of catching the next flight home still was attractive, I didn't call the travel agent. That's where luck reared its lovely head. While making a sales call in Belgium I was introduced to a man named Herman Vander Horst.

Mr. Vander Horst proceeded to change my life in a way I never could have imagined. Through Europe's wine and spirits distribution grapevine Mr. Vander Horst said he had heard about an agressive American who was making the rounds trying to sell a product called Spumasta.

I didn't know who he was talking about. (Just kidding). He said he wanted to meet me because a Dutch friend of his had invented a wine preservation device that he wanted to market in the U.S. According to Mr. Vander Horst, Bernd Schneider, the inventor, had a large support team in Holland including the Dutch government's Innovation Center, which backed him and the product one-hundred percent.

The product, called VACU-VIN, is simply a plastic pump that pulls air out of opened bottles of wine through a rubber stopper so the air won't cause the wine to spoil and taste bad.

Nothing like VACU-VIN existed for the home market. My instincts, and my knowledge of the wine business told me that at least a couple of million people in the U.S. were interested enough in wine to want to own such a product.

Mr. Vander Horst introduced me to the inventor, who handed me a VACU-VIN, saying, "Take this with you. Try it. Talk to friends in the wine business, see what they think. Come back in three weeks with a marketing plan if you're interested. I promise not to make a deal with anyone else before I hear from you."

I could hardly believe my ears. Here I was at the lowest moment of my life, and along comes a guy who says he'd rather do business with me than anyone else in the world. Funny, I hadn't even seen a rainbow, and here I was in Oz.

This time around, I wasn't going to leave my fate up to the Wizard -- even though I felt like I'd met him. While I felt the product was unique and probably right for the U.S. market, I wanted facts to support my beliefs.

Back home in Connecticut, I used the VACU-VIN to re-seal my favorite wines. That way it would be easy to tell if VACU-VIN really kept the taste from spoiling.

I also spoke to or visited every business expert I could find. Almost everybody thought I was nuts to even think of building a business around yet another silly little gadget. I didn't know it at the time, but the giants of the wine and spirits industry -- like Seagram's and Gallo -- were vying for the distribution rights to the product.

I have to admit, even I was a little skeptical about another new product with another new technology. After the singing boxes, and holography problems of Spumasta, I should have been all "teched out." But deep down, I knew that Lady Luck had finally come through my door.

The plus side of my list far outweighed the downside. VACU-VIN was indeed a special product. The only competing products were complicated systems which look like Rube Goldberg devices, were difficult to use and cost at least four times more than VACU-VIN.

VACU-VIN can be held in the palm of your hand, is built to last a lifetime with no replaceable parts, and it retails for only $20.

My tests with VACU-VIN went exceedingly well. I decided I should take the bull by the horns -- or the VACU-VIN by the handle.

But I hadn't been asked to sign a contract yet. As sports announcers say, it was still anyone's ballgame. Bear in mind, I wasn't exactly suffering from an inflated ego at this point, so I wasn't necessarily counting on this all working out.

Within a month -- using my credit cards for instant loans at a mere 19 percent interest -- I went back and forth to Holland four times. Somehow, I convinced not only Bernd Schneider but also the Dutch Government that I was indeed the guy for the job. I had drawn up a three-page marketing plan that my partners in Holland still talk about. They told me later that they made their decision to give me exclusive distribution rights to VACU-VIN because of my enthusiasm and my marketing plan -- the first I'd ever written.

It's been a little over a year since I first met Mr. Van Der Horst and Bernd Schneider. Since then, my new company, Source Intermarketing, has sold nearly one million VACU-VINs.

The hardest part, of course, was getting banks to lend me money again. After all, I hadn't exactly made a mint on their last loans. But I also hadn't renegged on any of my obligations to them or anyone else who helped me.

Today, VACU-VIN is in liquor stores, convenience stores, gourmet stores and major department stores across the country. Every major newspaper and magazine has written a favorable article about VACU-VIN.

The country's top sommeliers have praised VACU-VIN lavishly. Bloomingdale's and Macy's both sold out of VACU-VINs at Christmas.

I've learned more in the past year than I'd learned in the previous 10. And I'd like to share what I learned with you.

First and foremost, stay away from the naysayers. Believe in your dream. Nobody else understands your dream because nobody else has the same one. And be willing to pay a steep price to see it become a reality. Sheer determination is the thing that makes it all work. Because no matter what anyone ever tells you, there's no such thing as an overnight success.

The second most important thing you have to do is learn how to talk to a bank. Bankers speak a different language than the rest of us. Once you de-code their language, you're half-way home. From their point of view, it's all very simple. Banks only make sure bets. No bank in the world is going to lend you money until they perceive you as a good risk.

Before you walk into the bank to ask for a loan, get your ducks in a line. (Anthony gives good, sincere advice on how to do it.)

There are times when every entrepreneur feels like the devil is dealing him dirty cards. You'll feel like you should throw in the towel and get a job. But if you've done your homework and you still believe your dream could be real, then what you're dealing with is an opportunity.

That's when you have to marshall all your forces, choke back your fears, and move ahead. You won't be in Kansas anymore, but you'll get to meet the Wizard -- and he'll be you. Because like Dorothy and Toto, the tin man, the lion and the scare crow, courage, brains and heart are already within you.

When you taste success, you'll have the extraordinary satisfaction of knowing that you made it against all odds. And you'll be enjoying one of life's biggest rewards.

It can be done. And you can make it happen!

# A SELF PORTRAIT OF ENTREPRENEURS

by

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In the 1980's a renewed interest and certainly increased activity signaled the appearance of a phenomenon that many had given up for dead. The reappearance of the American entrepreneur came at a time when doomsayers were forecasting wide spread depression, economically as well as psychologically.

This renewed interest and activity sparked academics, editorial writers, commentators and politicans to write, to speak, to legislate and to research on the entrepreneur. Meanwhile entrepreneurs were busily starting new businesses at the rate of 600,000 a year, six times the number begun annually in the thriving '50's.

We began our exploration in the late '70's and early '80's but found that entrepreneurs were burdened with multiple descriptions and definitions. In fact, it appeared that the term entrepreneur, because of the confusion, may have out lived its usefulness. (Winslow, 1985)

We set out, in the study reported here, to explore the characteristics of the entrepreneur.

Winslow and Solomon (1987) had speculated on the mildly aberrant profile of the entrepreneur that resulted when the literature was reviewed and the varying descriptions were compared to psychological diagnostic categories.

Our purpose is to report on the pilot study designed to further describe the entrepreneur and to "test" some of the assertions we made in the above article. We believe the results, reported here, strengthens some of our contentions and provide a rich source for further research.

A brief literature review is given below for the three reasons: first, to illustrate some of the confounding issues presented by previous descriptions of entrepreneurs, second, to establish the basis of our contention of mildly sociopathic tendencies in entrepreneurs and lastly, to give readers some guidance in following the more than three centuries of entrepreneurial discussion.

## Review of Selected Literature and Opinions

Currently, no single definition of "entrepreneur" has been uniformly accepted in the literature.

Schumpeter (1934) credits Mill (1848) with bringing the term into general use among economists, but the word was used much earlier than that. Cantillon, circa 1700, described an entrepreneur as a rational decision maker who assumes the risk and provides management for the firm (Kilby, 1971).

Entrepreneur is derived for the French verb "entreprendre": which means to undertake, to attempt, to try in hand, to contract for; or, to adventure; to try (Girard, 1962).

Mill (in Schumpeter 1934) focused on risk bearing as the key differentiating factor between entrepreneurs and managers. Consequently, it should come as no surprise that the Webster's New World Dictionary defines the term as "one who organizes and manages a business and undertakes the risk for the sake of profit." Despite the long history of the term, scholars continue to disagree as to who is an entrepreneur (Carland, Hoy, Boulton, and Carland, 1984).

Brockhuas and Horwitz's (1985) review of the psychology of the entrepreneur concluded that "The literature appears to support the argument that there is no generic definition of the entrepreneur, or if there is we do not have the psychological instruments to discover it at this time. Most of the attempts to distinguish between entrepreneurs and small business owners or managers have discovered no significant differentiating features."

The current state-of-the-art in studying entrepreneurs is compounded by the very term itself. The dilemma is a real one. For instance, early definitions and many of the current definitions contain the term risk-taker.

However, Arthur Lipper III, publisher of Venture Magazine, has pointed out that in his view, entrepreneurs begin their own ventures because they wish to avoid "taking the risk" of their success being dependent on other's evaluations; that is, performance appraisals, recommendations or promotion decisions made by others in hierarchical organizations. Therefore, they avoid the risk of their future success being dependent on how they "fit in with someone else's idea performance."

Lipper as also indicated that some individuals, having entrepreneurial tendencies and desires but not having the requisite resources, skill, or good fortune, never achieve profit and some would say have never, therefore, been successful. We believe an entrepreneur can be successful without ever achieving significant levels of monetary profit if his defintion of success envisions other than monetary measures and he programs his business and life accordingly.

Balance is the single word which describes the constructive matching of an individual's emotional and psychological needbased strivings and an intellectualized positive risk/reward appraising reality acceptance. We believe entrepreneurs are not "normal" people; defining normality as "the acceptance and conformity to accepted standards of behavior, as defined by the larger societal mores, taboos, traditions and rituals (Winslow, 1987). Of course, some observers point out that all cultures define the maladjustment they choose to call normal (Herzberg, 1984).

The problem still remains. How shall we define this group of entrepreneurs? Are they risk-takers (Kent, Sexton (Vesper, 1982), risk-avoiders (Lipper, 1985), displaced persons (Shapero, a., 1975), people with passion (Herzberg, 1985), social deviates (Kets de Vries, 1985) or a growing circle of heroes? (Reagan, R., 1986).

Solomon (1985), in an extensive review of the literature, compiled a number of current definitions of entrepreneurs. In basic agreement with Hisrich (1986), he developed a working definition of entrepreneur. Essentially, an entrepreneur is "an innovative person who creates something different with value [added] by devoting time and effort, assuming the ... financial, psychological and social risks ... in an action oriented perspective ... and receiving the resulting rewards [and punishments] of monetary and personal satisfaction."

Our current general definition of entrepreneur is "one who starts and is successful in a venture and/or project that leads to profit (monetary or personal) or benefits society." The dilemma still remains, who is to be included and who is not to be included under the broad class defined as entrepreneur?

We believe that the urge to entrepreneurship is generally, not narrowly, distributed in the population (Winslow, 1984). Moreover, we believe that most people under certain conditions, will exhibit or be attracted to behavior that we can call entrepreneurial.

Stevenson and Gumpert (1985) have stated, ..."we should discard the notion that entrepreneurship is an all or none trait that some people...possess and others don't."

To better understand the individual entrepreneur, it is important to first examine and review the existing literature on entrepreneurs. Since the pioneering work of Schumpeter, the study of entrepreneurship and enterprise development has aroused interest in both academic and professional circles. The primary focus has been on various characteristics of the entrepreneur.

Here, the hope was to find those traits or other factors that differentiated successful entrepreneurs from other individuals, for is this could be done, our limited national and organizational resources could be more effectively directed to those persons most likely to succeed. Table 1 illustrates a historical overview of the characteristics of entrepreneurs (Carland, 1984). With the admittedly selective review of the literature and opinion we developed a structured interview and sought entrepreneurs to respond. The purpose was to explore various contentions and to clarify those elements which could lead to more definitive and precise variables to clearly focus further research.

## Method

An interview protocol was developed, designed in a structured format, to cover major areas suggested by the current literature. The interview method was chosen to allow a free range of responses from the interviewees within the developed structure; to allow the responses to emerge from the subjects themselves in their own words; and because of our own bias toward interviews as a "rich" source of data.

The interviews were conducted by graduate student research assistants, therefore the structured protocol. The responses were taken verbatim from the sample of 61 entrepreneurs. The entrepreneurs were identified according to our preferred definition of an entrepreneur as "one who starts and is successful in a venture and/or project that leads to profit (monetary or personal) or benefits society." The authors content analyzed these verbatim (typed) interviews to identify common response categories.

The following broad areas are those response categories where we were in complete agreement on the content of the responses. We will readily admit interpretative bias, since the purpose of this study was to find evidence that our suppositions about entrepreneurs were worth being subjected to more stringent research.

Table 1

| DATE | AUTHORS | CHARACTERISTICS |
|---|---|---|
| 1848 | Mill | Riskbearing |
| 1917 | Weber | Source of formal authority |
| 1934 | Schumpeter | Innovation, initiative |
| 1954 | Sutton | Desire for responsibility |
| 1959 | Hartman | Source of formal authority |
| 1961 | McClelland | Risk taking, need for achievement |
| 1963 | Davids | Ambition; drive for independence; responsibility; self-confidence |
| 1964 | Pickle | Drive/mental; human relations; compatability; technical knowledge |
| 1971 | Palmer | Risk measurement |
| 1973 | Winter | Need for power |
| 1974 | Borland | Internal focus of control |
| 1974 | Liles | Need for Achievement |
| 1977 | Gasse | Personal value orientation |
| 1978 | Timmons | Drive/self-confidence; goal oriented; creativity/innovation |
| 1980 | Sexton | Energetic/ambitious positive reaction to setbacks |
| 1981 | Welsh & White | Need to control; responsibility seeker; challenge taker; moderate risk taker |
| 1982 | Dunkelberg & Cooper | Growth oriented; independence oriented; craftsman oriented |
| 1986 | Fernald & Solomon | Values of Entrepreneurs |
| 1987 | Winslow & Solomon | Mildly Sociopathic |

## Results

The results of the interviews and our content analysis led to ten major categories. These categories correspond clearly to our suppositions about the entrepreneur. Where possible we have included direct quotes to add to the flavor of the data. The categories of interest to us and our reasoning are described with the questions themselves.

I. What Led the Person to Start Their Own Business. There was substantial agreement from this sample with Lipper's contention that entrepreneurs are interpersonal risk avoiders. In some way there is a hint of arrogance and rejection of the worth of "others" appraisal of their work. In most instances, confirmed by other responses, there was clearly a wish to work in an unfettered way.

### II. What is the Best Thing About Being an Entrepreneur?

The suspicion of many writers is that entrepreneurs are motivated by the possibility of great wealth. We found that certainly, some of our sample envisioned that they would "live comfortably", but responses to this item did not elicit a clear cut pursuit of financial gain. In fact, most of our sample talked about freedom, pride, control of time and legitimate reward for their own efforts (See Table 2).

### III. Are You a Risk Taker?

The literature previously almost constantly pointed to entrepreneurs as risk takers. Typically, these writers were observers, outside of the actual entrepreneurial activity. Although McClleland's work with "the entrepreneurial motive" suggested that those high in N-Ach would only take moderate risks, most observers have been constant in the risk-taking aspect of new ventures. Our sample did not agree.

Overall, they responded somewhat as McClelland would predict. They talked about their own confidence, not being completely reckless, calculating the odds and not blindly jumping at opportunities. In a related questions, very few of our sample felt they were "lucky." They ascribed their success to good decisions and hard work and effort.

There is some ambivalence in our sample, however. Many would respond that they are risk-takers (compared to their peers) but then would add a moderating statement indicating confidence in themselves on the calculation of the odds (See Table 3).

TABLE 2

# BEST THING ABOUT BEING AN ENTREPRENEUR

FREEDOM, MANAGE OWN TIME, CONTROL OF WHEN, WHERE

GETTING REWARDED FOR WHAT YOU DO, INSTEAD OF BOSS

FREEDOM TO TEST YOUR IDEAS AND PLEASURE OF SEEING FRUITS OF YOUR LABOR

FREEDOM TO MAKE DECISIONS WITHOUT ANSWERING TO ANYONE ELSE

PRIDE IN WHAT DOING, SELF-WORTH, HAVING SOMETHING THAT PEOPLE WANT

BEING IN COMPLETE CONTROL OF PROFESSIONAL AND PERSONAL LIFE

TABLE 3

# ARE YOU A RISK TAKER? WHY YOUR OWN BUSINESS?

YES, BUT WEIGH IT, NO OTHER OBLIGATIONS BUT SELF

YES, BUT CALCULATED.

THINK SO, I WANTED TO BE THE BOSS, MAKE FINAL DECISIONS

I DON'T KNOW. CONFIDENT WOULD SUCCEED BUT WERE RISKS

NO. VERY CALCULATING

MODERATE, DON'T JUMP INTO DECISIONS.

NOT IF I CANNOT CONTROL THE OUTCOME. NOT RECKLESS

## IV. What Type of Activities, Hobbies or Sports do you Engage in?

We were interested in looking at how entrepreneurs spend their "free-time". This may be a misnomer since in another response most of our sample indicated they would put in 80 hours a week or "whatever it took" to make their business go. However, we felt that entrepreneurs would more likely engage in individual sports, hobbies or activities.

We also felt that the activities they engaged in would be those that required or depended on their individual effort. We did not expect to see team sports high on their list. In fact, our sample overwhelmingly listed reading, biking, running, individual musical instruments, aerobics, and golf as their preferred activities. Most were action oriented but were also individualistic activities (See Table 4).

## V. How Do You Define Success?

There was, as expected a range of responses to this question. Many related success to financial independence, but none indicated a wish for great wealth. The sample for the most part talked about independence, self-worth, self-satisfaction, pride in providing a service and enjoyment (See Table 5).

## VI. With Whom Do You Like to Work and Socialize.

We have observed and others have agreed that entrepreneurs are extremely clannish. They seem to unconsciously seek out people much like themselves, and are almost carbon copies. We also pointed out that our experience and the literature sees this group possessing high standards for openness and honesty.

Sceptics would indicate that our sample is not the stereotyped, media view, but our experience sees the whealing-dealing unscrupulous characters as an aberration (See Table 6).

## VII. What Are Your Personal Assets and Liabilities?

The descriptions of the entrepreneurial personality that lead us to point to mild sociopathic tendencies, was born out by our samples description of themselves. Amiable, short attention span, focus on our goals, all of these described in one way or another were supplied by our sample (See Table 7).

## VIII. What Ideas Do You Have for the Future?

Anyone who has associated with entrepreneurs has seen the terrific future orientation and constant environmental scanning that entrepreneurs bring to their lives and work. This is one of the characteristics that caused us to point to the mild sociopathic of the group.

TABLE 4

# WHAT TYPE OF ACTIVITIES OR SPORTS DO YOU ENGAGE IN?

RUNNER

TENNIS, JOG, SWIM

WEIGHTS, RUNNING

BIKE OCCASIONALLY, PLAY MANDOLIN

BIKING

WALK

GOLF

SKIING

GOLF, HUNTING, RUN EVERYDAY

GYM 3 HOURS A DAY, RACQUET BALL, CYCLIST

AEROBICS, NAUTILUS, TENNIS

TABLE 5

# HOW DO YOU DEFINE SUCCESS?

FREEDOM OF TIME AND MONEY

DOING WHAT I LIKE TO DO. SPIRITUAL WELL-BEING. GET FOR MYSELF THE BETTER THINGS.

DO WHAT I'M DOING AND FEEL PROUD ENOUGH TO TELL MY MOTHER AND SHE'S PROUD, TOO.

CONTROL OVER OWN DESTINY, GO WHERE WANT TO WHEN WANT TO

FEELINGS OF WORTHINESS, PROVIDING A VALUABLE SERVICE, BEING IN DEMAND

BEING HAPPY WITH SELF, DOING THINGS I ENJOY

TABLE 6

# WITH WHOM DO YOU LIKE TO WORK AND SOCIALIZE?

INTELLIGENT, SENSE OF HUMOR, FAST PACED GOOD SELF IMAGE, LIKE WHAT DOING

PEOPLE WHO LIKE THEMSELVES. CREATIVE AND COMMUNICATIVE, ORGANIZED, INDEPENDENT

STRAIGHT SHOOTERS, OPEN AND HONEST

SMART, HARD WORKING, INTERESTING PEOPLE WORTH LISTENING TO

MOTIVATED, SELF STARTERS, GO THE EXTRA STEP.

PEOPLE WHO MAKE DECISIONS AND ADMIT WHEN THEY ARE WRONG

TABLE 7

# WHAT ARE YOUR PERSONAL ASSETS AND LIABILITIES?

OUTSPOKEN, NOT AFRAID TO TAKE CONTROL OR MAKE DECISIONS, RESULTS ORIENTED. IMPATIENT.

DRIVE, MOTIVATION, ENERGY, ORGANIZED. LACK OF TIME, FUNDING.

FAITH. IMPATIENT.

HONESTY, PEOPLE SKILLS, ASKING FOR HELP, CREATIVE. PROCRASTINATION, SLOVENLY RECORD KEEPING, GIVEN TOO MUCH AWAY

AMIABILITY, CHARISMA, GET ALONG WITH OTHERS. NEED TO CONTROL, STUBBORN, HARD TIME LETTING GO

These are people who use the past, but rarely live in it, they don't speak in past tense or future tense but seem constantly to be acting and talking in the future tense. Our sample validates that observations (See Table 8).

## IX. How Do You Approach Competition?

We were interested in what entrepreneurs would say about competition. The media portrait of an unethical, underhanded, unscrupulous person is one we do not believe exemplifies a group of honest, hard working, service oriented, ethical individuals (See Table 9).

## X. What is Your Advice to Potential Entrepreneurs?

This question has two purposes. One purpose was to elicit advice from experienced entrepreneurs to the novice and the other was a mild form of retesting the self-descriptions above. Frequently, in giving advice, people paint a picture of their own motives and needs.

Our sample, we believe, was successful on both counts. The advice is essentially a description of themselves and is what we expected. It ranges from belief in oneself to ignoring negative inputs or conventional wisdom (See Table 10).

## Summary

In order to develop a picture of entrepreneurs, we have first propounded a view, based on observation, literature and experiences that indicated that this group was not simply a different breed, but not completely exceptional (Winslow and Solomon, 1987). To test some of our assumptions and to begin the process of building a more complete picture of the entrepreneur, we carried out a pilot study consisting of a structured interview with sixty-one entrepreneurs.

We found that as a group they are confident and optimistic, are not prone to be reckless, are not prone to take great risks, are not comfortable nor willing to have their performance judged by others, are willing to be independent and self-reliant.

Further, our sample did not define success as accumulation of great wealth but in the words of one were more intent, "on seeing my baby live and grow."

This pilot study has confirmed our belief that much more research on the personality and social psychology of entrepreneurs is fertile ground for research that will not only further our understanding of the phenomenon, but may in fact aid individuals and organizations to further the aspirations and success of innovation. We intend to continue our explorations.

# IDEAS FOR THE FUTURE?

ALWAYS LOOKING AT NEW IDEAS, NEW PRODUCTS

BRING NEW IDEAS TO LIFE

LIKE TO GET INTO NEW AREAS BUT DON'T KNOW WHAT YET

DIVERSIFY, DIFFERENT IDEAS, PEOPLE, RENEWED OPTIMISM, WOULDN'T RETIRE IF BOUGHT OUT

CONSTANTLY LOOKING AT OPPORTUNITIES

IDEAS ARE ENDLESS, ALWAYS LOOKING

## TABLE 9

# HOW DO YOU APPROACH COMPETITION?

HEAD ON

HIGHER QUALITY

DON'T THINK ABOUT COMPETITION. I WONDER IF THEY THINK ABOUT WHAT I'M DOING

AWARE OF WHAT DOING, NEVER BAD MOUTH, STRESS OUR PROGRAMS AND VALUES

KNOW AS MUCH AS THERE IS TO KNOW, COMPETE AGAINST THEIR WEAK POINTS

PROVIDE BETTER SERVICE

TABLE 10

# YOUR ADVICE TO POTENTIAL ENTREPRENEURS?

BE FLEXIBLE IN DEALING WITH OTHERS. CONTROL YOUR BUSINESS, DON'T LET CUSTOMER CONTROL YOU

KNOW YOUR PRODUCT, COMPETITION. BE COMMITTED, BELIEVE IN WHAT YOU ARE DOING

WORK VERY HARD AND BELIEVE IN WHAT YOU ARE DOING

GET FREE ADVICE AND USE ONLY THAT WHICH YOU CAN REALLY USE

FOLLOW OWN INSTINCTS, SET UP NETWORK OF CONSULTANTS

BE ENTHUSIASTIC, CONVINCED YOU HAVE SOMETHING OF VALUE, BE HONEST AND CREDIBLE

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# Software Entrepreneurship: Lessons Learned

By John P. Coyne, Ph.D.

What are the problems that must be overcome if one is to successfully create a business based on the design and development of a new software product? I am speaking not of the obvious problems - office space, an accounting system, payroll, etc. - but of the more subtle problems that a potential entrepreneur will encounter. Arguably, every business is different from every other business.* However, I believe that there are certain problems that are particularly applicable to the development of a software business.

## Trusting Your Instincts In Perceiving Opportunity

In order to develop a software product, and then build a company around it, you must conceive of the product. You must "see" an opportunity that others do not, and you must believe in that opportunity. Trusting your instincts is critical since there is no algorithm for software business success.

Too often the idea for a new software product gets killed by "professional advice". Such advice usually embodies what I call the deadly axioms of marketing.

| | |
|---|---|
| Deadly Axiom #1 | If no company is successfully selling anything like the product you envision, then there cannot be much of a market for it. |
| Deadly Axiom #2 | If one or more companies are successfully selling your type of product, then the market is already dominated by established organization. How can you (a "start up") even hope to penetrate? |

In my opinion, you cannot logically win an argument that embodies one of these axioms. You must develop the product, at least to a demonstrable prototype stage, in order to puncture the sophistry of such well intentioned advice. Such a development requires that you trust your own instincts and commit yourself to the development.

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* Coyne Kalajian Inc.'s software business was developed for Wang Laboratories' line of VS minicomputers. The business was recently ranked 23rd on Washington Technology Magazine's list of the fifty fastest growing technical businesses in the Washington D.C. area.

Many potential software entrepreneurs paralyze themselves by waiting for the day when they feel that they "know enough" to launch a software product. That day will never come - you never "know enough". Bill Gates (Microsoft) and Mitch Kapor (Lotus) were not technical giants as measured by advanced degrees in computer science, referred journal articles, monographs, textbooks, new theories of computation, etc. They were entrepreneurial giants with good technical skills but a great belief in their vision. You must believe in yourself and your vision.

## Premature Announcements

Robert Townsend said it best about "premature ejaculation." For a small company, there would seem to be little advantage in publicly announcing a new product before the prototype is completed.

The problem is that the temptation is so great. A large organization (such as IBM) might be able to freeze a market by an announcement of a new product, but a small company cannot. A small company doesn't even have the resources to "roll out" the announcement in a dominating way.

While an early announcement seems to offer few tangible benefits, it can carry substantial risks.

1. Your product research and testing may indicate that you want to dramatically change directions in the functionality of the product. This is difficult to do after a major announcement.

2. You may find that prototype to be totally unpromising and that the product will never function properly. If you do the sensible thing and kill future investment, you will have to "eat" your announcement and listen to people who will happily explain how you violated some basic axiom of business.

3. An early announcement places small size competitors on notice concerning your product. Your announcement may be providing them with the technical, inspirational and organizational courage that they normally lack. In short, you might be the major impetus of a competitive product.

4. If large companies find the product announcement interesting, they will either criticize it as being unnecessary or "freeze" the market with an announcement of a similar product. All things being equal, the same product from a large company is often considered preferable to a small company based on company stability and level of service.

In the case of CKI, we did not announce the product until we had it performing well at a few customer sites. Once we did, we began to market it and began to learn some lessons of "living in the shadow" of a large company firm.

## Dealing With Hardware Vendors

One of the most perplexing problems for a software entrepreneur is being technically successful. If you develop a product X for computer manufacturer Y, and that product significantly enhances Y's hardware, you would expect some kind of appreciation, if not assistance from manufacturer Y. This rarely happens!

To understand this lack of support, you must ask "how does a manufacturer's R&D group that has a multimillion dollar budget explain the fact that a small company with virtually no capital produced a competitive if not a superior product?" If you cannot explain it, you must deny that the product is superior or even competitive. It is safe to say that the farther you get from the hardware vendor's corporate R&D, the warmer the reception you will receive from the vendor's people. You must remember that the vendor's R&D staff has its own priorities, and applauding your product is not one of them.

It is unrealistic to expect to be warmly embraced by a hardware vendor. You must create your own attention. The ironic rule that applies is as follows:

> the amount of assistance that your company
> will receive from a computer hardware vendor
> is inversely proportional to your company's
> need for that help.

In the early stages of growing a software business, you must be prepared to get your own attention.

## Being Outrageous In a Controlled Way

Being outrageous is one way to attract attention. The problem is you must control it so as not to lose your credibility.

For example, once a year, Wang Laboratories holds a yearly international conference for all Wang users. Our company was given an opportunity to demonstrate our software in the conference area, along with approximately 100 other independent software companies. Our "booth" space was approximately 6'x6'. We needed a way to get attention - to attract traffic. Buttons, balloons, hats and shirts were rejected as simply "me too" props.

After some thought, we contacted the agent for Andre The Giant. At over seven feet, we felt that he would stand out in any crowd. Unfortunately, Andre was scheduled to wrestle in Japan at the time of the conference. The agent then suggested that we use Junkyard Dog since he was a "real gentleman". Somehow, a man named Junkyard Dog did not seem to be the person we wanted clients to associate with our product.

After much thought, and since the conference was in Boston, we were able to pursuade Bill Russell, legendary great of the Boston Celtics, to do a one day promotion for our product at the conference. From the moment I met Bill at the airport, I knew that the idea was a winner. Before we could get him out of the airport, dozens of people wanted to shake his hand. (I pointed out to Bill that I got the same reception whenever I returned to D.C.)

Bill was instantly recognizable and our booth was packed with people who wanted to have their picture taken with Bill (we provided free Polaroids). While we didn't do many product demonstrations, we clearly developed a recognizable corporate name that was very advantageous to us later. It was clearly a major P.R. coup.

Sometimes you get attention by being the most outrageous speaker. Once, I was asked to give a talk on database management systems to a major government client. The problem was that my talk would be followed by several other speakers with competing products, with a Wang person as the final speaker talking about their product.

In order to seize the audience's attention and hold it throughout the other talks, we decided to be somewhat outrageous. We picked a theme of:

> "How Do You Evaluate One Database Product Against Another?
> What Are The Parameters?
> The Guidelines?
> What are the Basic Commandments of Database?"

Of course, "Commandments" was the operative word, and when it was spoken, a series of flash pots (the type used at rock shows) ignited and created a loud "poof" and a substantial white cloud. A completely outfitted Moses stepped through with two tablets containing the Ten Commandments of Database.

After several Moses jokes, the audience's attention was ours and the other speakers more or less "vanished in the haze".

Were we ever criticized? Absolutely, but never by potential clients, only competitors. Being a little outrageousness was fun for the clients, fun for our staff and most of all good business.

## Dealing With Growth

One of the major obstacles to a software business is being able to deal with success. To an entrepreneur starting a software business, this is like saying that the real problem with their job is that they're going to receive a lot of money. Having pledged to the bank all assets (including house, cars, stocks, any personal cash, company receivables, company furniture - children would be added to this list but the banks do worry about their image), most entrepreneurs scoff at the well intentioned advice of "being prepared for success".

Yet success can be the biggest problem, not because of the money generated but because of the organizational stress, in the form of growth, that it inflicts. Growth often forces the founders to focus large amounts of time on things that formerly required little, if any, time.

Since the growth is incremental, it is easy for a founder to wake up one day and suddenly realize that they now spend very little time doing what they do best, doing what made them a success in the first place. Sooner or later (and often it is "sooner"), the business deteriorates. In the case of CKI, I came to a realization that in one nine month stretch I had spent virtually no time in software R&D - (which is what I do best). Further, the productivity of people in R&D dropped since they lacked the direction and supervision I normally provided.

We now have a Chief Operating Officer who runs the business on a daily basis and this permits me to develop new products and improve existing ones.

Why didn't I do this sooner? Why doesn't an owner bring in professional/qualified help when the growth starts? There are several reasons:

1. When you first begin, you cannot afford the type of talent you need
2. Even if you think you can afford it, the size of the company and its undercapitalization will scare away many qualified people.
3. Searches for good people take time and time is at a premium when you begin.
4. The growth is incremental and the problems sneak up rather than announce themselves with great fanfare.
5. Founders temporarily enjoy playing other roles; it provides a distraction.

Of course, a lot of people would argue that the single greatest problem is fear of delegating. I think that such a claim is overstated. When a company is first beginning, with little or no capitalization, one substantial mistake will drive the company under. And the company doesn't just "go under". The failure takes people's jobs, their hopes, their self esteem and then the bank takes all the collateral (house, cars, etc.) that the founders pledged. Entrepreneurs understand that this threat is real and often they know someone to whom this has happened. If potentially disastrous decisions are being made, a founder wants to make them. As the company grows, its ability to withstand a blow increase and a founder's willingness to delegate should increase. But good people need to be in place in order to competently delegate. Putting these people in place is the real problem for the reasons cited above.

## Dealing With Venture Capitalists

If your company's product is successful, then there is a good chance that you can attract venture capital if you are willing to work at it. However, venture capital can have a number of negatives:

1. Developing the mandatory business plan can take time away from running the company.

2. You spend considerable time romancing investors. You cannot appear too eager for the financing, but you cannot play too hard to get.

3. If you're not careful. negotiation with a venture capitalist is like buying a house. Once people "psychically possess" a house, they will ignore one problem after another to come to closure.

4. During serious negotiation with a venture capitalist, various strategies will be tried out on you. At first, you find it hard to believe that these educated, well mannered, articulate, and (often) fun people will try to "game" you. Believe it, and remember that they are only doing their job for their investors. You find that it's like a modern marriage. You get real excited about the prospects of long term happiness (business success) but find that the prenuptial agreement (stockholder agreement) has a way of taking the edge off the romance.

5. Perhaps the biggest problem occurs after you conclude the investment. Once you get the financing, you feel strongly committed to execute the business plan. Without a formal plan and a venture capitalist watching you, you might be more sensitive to changes in the market place that indicate the need for a change in execution, including, the important change of "doing nothing" in a volatile situation.

With a business plan, you tend to want to hit milestones. If business were an ocean voyage, a business plan often pushes you to travel so many miles/day regardless of the weather. Sometimes, you need to wait out a storm, or go around it. With someone frequently checking your travel log, you tend to get more mechanical. Unfortunately, in the software business, sudden storms are a frequent occurrence.

In a sense, getting a venture investment is not the problem. The problem is not to let the subsequent investment manage you. Successful entrepreneurs are frequently not great detail planners. A venture capital investment tends to diminish intuitive changes in direction; but those intuitive changes are what produced success in the first place.

## Getting Out

At some time, entrepreneurs need to get out of the business, particularly successful ones. When a company matures, it tends to "run itself", i.e., it doesn't require the entrepreneur to be there ten hours a day, making all of the decisions. The problem is that many software entrepreneurs want to hang around and become "businessmen".

In the vast majority of cases, it is my opinion that only two possibilities will occur:

a. the entrepreneur will realize he/she doesn't have the requisite skills to be a businessman/woman and will leave with an unwarranted sense of failure or

b. the entrepreneur will make the transition and then be forever bored, restless or both.

In the end, an entrepreneur will be happiest with a new idea, a new set of colleagues, a new set of challenges. Fortunately, in an industry as dynamic as the software business, this is easily achieved.

# DEVELOPING AND IMPLEMENTING ENTREPRENEURIAL CULTURES

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## ABSTRACT

This paper proposes a decision making orientation to the topic of developing entrepreneurial cultures in large organizations. The most common term for this is intrapreneuring and is used interchangably. Guidelines to assist in developing entrepreneurial cultures and specific examples will be included.

## INTRODUCTION

Th purpose of this paper is to discuss the key factors a manager in a large organization should consider in evaluating attempts to develop an entrepreneurial culture in the firm. Who are the corporate entrepreneurs? How are these "intrapreneurs" as Pinchot has termed them different from traditional entrepreneurs? Does the firm want to develop such a culture? How can we create innovative and entrepreneurial organizations?

Examples of corporate efforts to develop such cultures and the lessons that the experts provide to struggling managers are also discussed.

## WHO ARE THE CORPORATE ENTREPRENEURS?

Pinchot (1985) developed the term intrapreneur to differentiate and identify the managers that operate in an entrepreneurial manner inside large organizations. Drucker (1985) states that entrepreneurial management is the technology that has made the American economy more competitive and entrepreneurial.

Exhibit 1 presents a list of ten characteristics Pinchot cites to describe the intrapreneur. This exhibit is based on his characteristics and is only part of the total equation Pinchot suggests could be considered in describing the intrapreneur.

## EXHIBIT 1
## CHARACTERISTICS OF THE "TYPICAL" INTRAPRENEUR

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1. WANTS FREEDOM AND ACCESS TO RESOURCES
2. END GOALS OF 3-15 YEARS
3. GETS HANDS DIRTY
4. INTRAPRENEURS ARE CYNICAL ABOUT THE SYSTEM, BUT OPTOMISTIC ABOUT THEIR ABILITY TO OUTWIT IT
5. SELLS INSIDERS ON NEEDS OF VENTURE
6. LIKES MODERATE RISK. GENERALLY NOT AFRAID OF BEING FIRED
7. DOES OWN RESEARCH AND INTUITIVE EVALUATION
8. CONSIDERS TRADITIONAL STATUS SYMBOLS A JOKE-- TREASURES SYMBOLS OF FREEDOM
9. SENSITIVE TO NEED TO APPEAR ORDERLY. hIDES RISKY PROJECTS FROM VIEW
10. PLEASES SELF, CUSTOMERS, AND SPONSORS

---

The consideration of individual characteristics and attitudes in the characteristics approach is the most common way of looking at the intrapreneur, but others have suggested a contingency view of entrepreneurship which is a response to a particular situation. Drucker (1985) states that it is a "commitment to the systematic practice of innovation" that produces entrepreneurial success. Alternative organizational efforts and practices would be more appropriate than trait analysis for the contingency school. These approaches are discussed in the sections on creating the optimal environment and organization.

Ross and Unwalla (1986) however, suggest that the personality and style factors are critical to the intrapreneurial success and provide two 10 item scales with scoring guides to allow managers to evaluate themselves. Their approach is simplified to describe the intrapreneur on the basis of three variables:

1. Ability to learn and practice professional management.
2. Develop a style that creates an innovative climate.
3. Encourage innovation and intrapreneurship in employees.

Their scales provide a starting point for future research using samples of intrapreneurs and traditional managers. The authors also state that intrapreneurs have been called the new business heros. How are they different from entrepreneurs is the question posed by Ira D. Hill, President of Research Directions, Inc. Exhibit 2 is taken from a 1986 IRI Annual Meeting Address. Hill recognizes the role of multiple factors in the differentiation. The ability to show how size, activities, skills, psychology and the reward system differ are central to the final goal of this paper--to show how to create and organize innovative, entrepreneurial management.

## EXHIBIT 2
## INTRAPRENEURSHIP VS. ENTREPRENEURSHIP

### Size

| | |
|---|---|
| Big company | Small or no company |
| ● Culture | ● In utero |
| ● Consistent | ● Chameleon |
| ● Procedures | ● Anything legal |
| —Purchasing to personnel | —Do it yourself |
| —Support | —One legged stool |
| —Patience | —Fun/frustration |

### Activities and Energy

| | |
|---|---|
| ● Approval to proceed | ● Nerve to start |
| ● Indefinite end point | ● Definite end point |
| ● Change = bad news | ● Change = good news |
| ● Maintain "corporate approval" | ● Never have to say "sorry" |
| ● Tactics more than strategy | ● Focus on the head shot |

### Who Is Best at What

| | |
|---|---|
| ● Long time spans | ● Short time spans |
| ● High entry costs | ● Low entry costs |
| —Highly developed technology | —Undeveloped technology |
| —Marginal improvements | —Novel products |
| ● Needs huge market | ● Small market success |

### Personal Psychology

| | |
|---|---|
| ● Interim failure | ● Interim failure |
| —High price | —Lower price |
| ● Ultimate failure | ● Ultimate failure |
| —Non-lethal cushion | —High risk/no cushion |
| —Pensions/benefits | —No pensions |
| —High psychic cost | —Little or no psychic cost |

### Rewards

| | |
|---|---|
| ● Consistent upward | ● Roller coaster |
| ● Five corporate officer "Millionaires" | ● One entrepreneurial "Millionaire" |

The clamour to show traits, tests, checklists and the like all assume that firms see the intrapreneurs as a positive force in organizations. Some authors suggest that this is just another fad and the bloom will fade when the "failures" are given equal time. The question many managers face then is do we try to become more intrapreneurial?

## DO WE WANT MORE INTRAPRENEURS?

Sauser (1987) cites the negative reactions of some authors to show why it is critical to look at entrepreneurial failures to see what to avoid in intrapreneurial efforts. Just as undercapitaliation is a problem for entrepreneurs, Sauser states that proper financial plans are critical to avoid a negative response from top management. Other views suggest that if "to many" projects are competing for funds that the cooperative spirit talked about in the literature may fade quickly. Sauser also discusses planning, expertise and credibility, money management, regulations, and managerial skills as critical success. If all managers had these factors fully developed, would we need new terms to describe desired behaviors? The downside is that as intrapreneur has become a positive team people without these qualifications also want to try their pet project. To avoid the faddish nature Sauser helps us with the following eight guidelines.

### EXHIBIT 3
### GUIDELINES FOR INTRAPRENEURIAL DEVELOPMENT

1. ANALYZE YOUR NEEDS FOR FUNDING CAREFULLY AND NEVER UNDERCAPITALIZE.

2. PLAN ADEQUATELY FOR EMERGENCIES, DELAYS, AND COST INCREASES.

3. DRAW UPON THE FULL RESOURCES OF YOUR ORGANIZATION TO HELP YOU WITH MARKET RESEARCH, PRODUCT EVALUATION, OUTLET LOCATION, AND OTHER TACTICAL DECISIONS.

4. NEVER DISREGARD THE ADVICE OF YOUR FIRM'S OWN EXPERTS EVEN IF THE ADVICE MAY BE DISCOURAGING.

5. DON'T GET INVOLVED IN AREAS WHERE YOU HAVE NO SKILL, EXPERTISE, TRACK RECORD, OR CREDIBILITY.

6. MANAGE YOUR BUDGET CAREFULLY.

7. DON'T TRAMPLE UPON ORGANIZATIONAL POLICIES AND PROCEDURES WHEN YOU CAN WORK WITHIN THE SYSTEM.

8. HONE YOUR MANAGERIAL SKILLS TO A FINE EDGE BEFORE YOU LAUNCH YOUR INTERNAL VENTURE.

C. Wesley Morse flatly states that "intrepreneurship is not a formula for successful innovation in large companies as a bureaucratic system cannot provide the rewards and the personal autonomy which the true entrepreneur requires." Morse and others openly question the reward system, control and the nature of corporate cultures to allow for failure and innovation. This school of thought sees the intrapreneur as a corporate distraction at best and detrimental to the firm at the worst.

An editorial by Roy Diez, Editor of Professional Builder, cites Berkley Rice as saying that "to understand the entrepreneur first you have to understand the psychology of the juvenile delinquent."...Whatever happened to the traditional values of corporate loyalty, and plugging away?...Who will be left to mind the corporate store?"

Diez disagrees with the analysis and concludes that "with entrepreneurs in charge, the corporate store will do just fine." The disagreements stem from radically different views of how corporate America can adjust to a changing world. Drucket sees innovation, Pinchot sees innovation, Diez sees innovation, while the critics see pyramids, control and "difficult" employees who demand autonomy and rewards. Exhibit 4 shows a comparisons between entrepreneurial and bureaucratic organizations. Ross and Unwalla provide the comparison which allows us to ask the question-which organization would you prefer to join?

## EXHIBIT 4
## ENTREPRENEURIAL ORGANIZATIONS VERSUS BUREAUCRATIC ORGANIZATIONS

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### ENTREPRENEURIAL ORGANIZATION

TAKES RISKS
STAYS INNOVATIVE
FOCUSES ON RESULTS
DOES TECHNICAL WORK
STAYS FLEXIBLE
SEES THE ORGANIZATION AS A SYSTEM
SEES CHANGE AS GOOD
TOLERATES AND LEARNS FROM MISTAKES
BELIEVES THAT MANAGERS AR MOTIVATED BY CREATING SOMETHING FROM NOTHING

### BUREAUCRATIC ORGANIZATION

AVOID RISKS
DOES ROUTINE WORK
FOCUSES ON ACTIVITY
FOCUSES ON STRUCTURE
DOES ADMINISTRATIVE WORK
HAS TIGHT CONTROL
PRACTICES PAROCHIALISM AND "NICHEMANSHIP"
PREFERS THE STATUS QUO
AVOIDS AND PUNISHES MISTAKES
BELIEVES THAT MANAGERS ARE MOTIVATED BY UPWARD MOVEMENT IN ESTABLISHED STRUCTURE

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Ross and Unwalla help us once more by focusing on the intrapreneur as a professional manager in an entrepreneurial organization, not a mix of "gunslingers" that often characterizes the folk hero entrepreneurs. This differentiation helps us answer our question-Do we want Intrapreneurs?--YES.

## HOW TO CREATE THE INTRAPRENEURIAL ORGANIZATION

The creation of an organization conducive to innovation and development of intrapreneurs is a difficult but desirable task. McGinnis and Verney (1987) conducted an extensive literature review of innovation management and tried to link the individual and organizational factors related to innovation to the intrapreneurial process. Their discussions of the key factors led to development of a summary table which is shown as Exhibit 5 in this paper. The exhibit suggests that an innovative organization can be developed and that knowledge of the organization and its place in the industry can also be beneficial.

## EXHIBIT 5
## CREATING AN INNOVATIVE ORGANIZATION

A. OPEN THE FIRM TO NEW IDEAS AND CONCEPTS

- * GOOD USER-DESIGNER WORKING RELATIONSHIPS
- * INTERACT WITH YOUR ENVIRONMENTS

B. CREATE A PERFORMANCE GAP

- * AMBIGUITY IN GOALS AND PROCESSES
- * HIGH STANDARDS OF PERFORMANCE
- * POSITIVE VALUES FOR INNOVATION

C. DEVELOP ORGANIZATIONAL COMPETENCE

- * TEAMS OF PROFESSIONALS
- * DIVERSITY OF EXPERIENCE

D. FOCUS EFFORTS ON EXTERNAL CHALLENGES

- * LOOSE COUPLING/ORGANIZATIONAL ADAPTABILITY
- * SUPERORDINATE GOALS (PROBLEM-SOLVING ORIENTATION)

e. FOSTER OPEN COMMUNICATIONS

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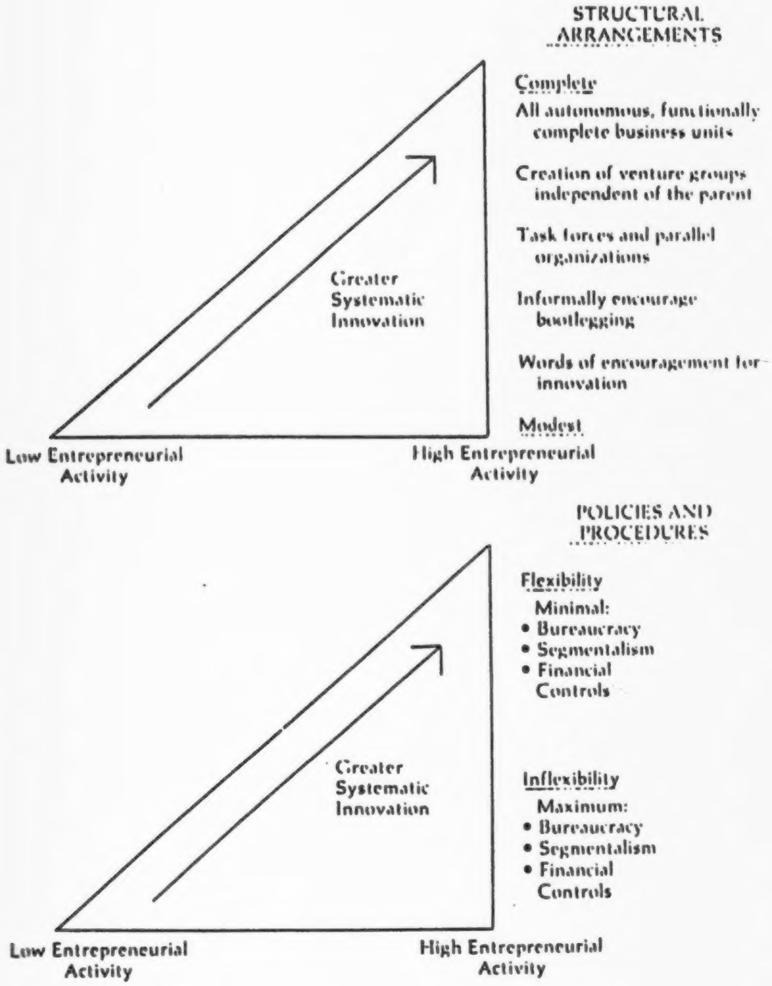
The ability to open the firm to new ideas, increase adaptability and foster open communications are similar to the tools to reduce organizational inertia that Andrew Grove (1987) suggests are required to "teach elephants to dance." Grove says we should "never kill the messenger" and must show the subordinates that they can bring bad news without being organizationally killed. He also suggests we can create intrapreneurial organizations if people who identify problems assume responsibility for solving them and are given the freedom to cross organizational lines. The ability to energize the organization is consistent with the model above and shows that practitioners see the need and the potential for change.

The final area of discussion for creating an intrapreneurial environment is based on Randall Schuler's work in which he proposes both structural arrangements and policies and procedures to foster and faciliate such activity. A graphic of the structural elements can be seen in Exhibit 6. The structural arrangements range from polite encouragement to autonomous units and the level of innovation is directly related to the autonomy. This is one of the reasons that difficulties arise, not all organizations see themselves as having the ability to create the autonomy. The flexibility in policies and procedures is less of a problem for must firms and is a typical starting points.

**EXHIBIT 6**
**STRUCTURAL PRACTICES TO CREATE INTRAPRENEURSHIP**


STRUCTURAL ARRANGEMENTS
Complete
All autonomous, functionally complete business units
Creation of venture groups independent of the parent
Task forces and parallel organizations
Informally encourage bootlegging
Words of encouragement for innovation
Modest
Greater Systematic Innovation
Low Entrepreneurial Activity
High Entrepreneurial Activity
POLICIES AND PROCEDURES
Flexibility
Minimal:
• Bureaucracy
• Segmentalism
• Financial Controls
Inflexibility
Maximum:
• Bureaucracy
• Segmentalism
• Financial Controls
Greater Systematic Innovation
Low Entrepreneurial Activity
High Entrepreneurial Activity

The ability to create the climate and structures required for a successful intrapreneurial organization are not simple, quick or without cost. The process of developing entrepreneurial cultures most begin with strongly supported ideas and goals such as those recommended by Art Fry of 3-M. Exhibit 7 presents a summary of the key factors Fry states are critical to encourage more entrepreneurial behavior.

## EXHIBIT 7
## DEVELOPING A CREATIVE CLIMATE

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1. PROVIDE THE NECESSARY TIME AND RESOURCES
2. ASSURE MANAGEMENT SPONSORS
3. CONVEY A SENSE OF TRUST, HIGH EXPECTATIONS AND OPENNESS TO CRITICISM
4. GIVE FREEDOM, A LOT OF ROPE
5. OFFER FORGIVENESS, FREEDOM TO FAIL, AND LEEWAY TO CHANGE DIRECTIONS
6. ENRICH THE CLIMATE BY SHARING GOALS

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Fry offers guides to develop an organization that fits the changing work expectations and suggests that other companies can experience the climate that 3-M has been able to develop.

The results of a well developed system are highlighted in EXHIBIT 8 and in the Appendix to highlight organizations that have taken the lead in the development and implementation of corporate entrepreneurial cultures and provide lessons for other firms.

## EXHIBIT 8
## RESULTS OF WELL-DESIGNED PROGRAMS

- LOYALTY (FOR THE TIME BEING)
- ROLE MODELS FOR OTHER EMPLOYEES
- RECRUITMENT INDUCEMENTS
- HIGHER MORALE
- INCREASED CORPORATE AND PROFESSIONAL STATUS FOR THE INDIVIDUAL
- DEVELOPS PROPRIETARY INTEREST
- BAITS THE HOOK

Firms that can keep their most innovative employees and use them to promote the development of other employees sense of innovation are expected to have an advantage in a volatile competitive world. The second type of results relating to proprietary interests and the hook are part of the sense of understanding and acceptance of organizational goals and objectives. The resulting environment is more cooperative and focused.

Chisholm (1987) states the case for the conclusions of this paper--"you can not expect to achieve significant change unless you are willing to change something significant." The challenge facing managers is to develop the organizational and support systems to change the focus and direction of the firm to make it more entrepreneurial and innovative. It is not an easy task, but is an attainable one.

# APPENDIX

## APPENDIX 1
## CORPORATE PARTNERING

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### HALCON INTERNATIONAL / ARCO

OBJECTIVE: DEVELOP OXIRANE CORP. AS A 50:50 PARTNERSHIP, WHILE AVOIDING SELLING OUR SOUL TO THE DEVIL.

TECHNIQUE

- CORPORATE PARTNERING -- 50:50
  MANAGEMENT AND BOARD
- KEY PERSONNEL FROM EACH FIRM
  CEO -- ARCO
  COO -- HALCON
- NO RAIDING
- ARCO PROVIDED 90% OF FINANCING
  50% EQUITY
  40% IN A NON-RECOURSE LOAN

RESULTS

- EXPANDED INTO PLANTS
- REVENUES EXCEED $1 BILLION
- SYNERGY

---

## APPENDIX 2
## INTRAPRENEURING AFTER THE BREAKUP

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SOUTWESTERN BELL:

- 100 YEARS OLD
- 70,000 EMPLOYEES
- $7 BILLION REVENUES
- OLD GOALS: STABILITY AND SERVICE
- NEW GOALS: KEEP VALUES, MEET CHANGES

OBJECTIVE

- CAPITALIZE ON ENVIRONMENT, WITHOUT SACRIFICING SERVICE

TECHNIQUE: CHANGE "CULTURE"/POLICY

- INTRO INTRAPRENEURING AT CORPORATE POLICY SEMINARS
- DEVELOPED INTERNAL PUBLICATION, ENTERPRISE, TO FOCUS THINKING
- ESTABLISHED EACH MARKET AS PROFIT CENTER
- INCREASED $ LIMITS FOR DECISIONS
- NEW INCENTIVE PROGRAM
- RIDER SERVICE AWARDS
- ESTABLISHED CENTER TO DEVELOP PRODUCTS
- SURVEY OF MANAGERS

RESULTS

- SILVERPAGES
- CELLULAR MONITORING SYSTEM
- CHANGES IN COMMISSION PLANS

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# APPENDIX 3
## INTRAPRENEURING AT WORK

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SIGNODE INDUSTRIES
- 75-YEAR-OLD FIRM
- GOAL: $1 BILLION SALES BY 1990
- SOLUTION: INTRAPRENUERIAL TEAMS
- CREATING NEW PRODUCT, 50% OF A GROWING MARKET

APPROACH

- DEVELOPS VENTURE TEAMS
  - -4-6 MEMBERS
  - -2 WEEK ORIENTATION
  - -LEADERLESS GROUPS

- PROJECT CRITERIA
  - -$30 MILLION DEVELOPMENT CAP
  - -NO CONSUMER GOODS
  - -$50 MILLION TARGET MARKETS
  - -BUILD ON EXISTING STRENGTHS
  - -FOCUS ON UNMET OR UNPERCEIVED NEEDS
  - -6-8 MONTH TIME HORIZON
  - -PRESENTATION TO TOP MANAGEMENT
  - -MUST PROVIDE RAINBOWS

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# NEW VENTURE TECHNIQUES THAT WORK: THE CELLULAND STORY

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KENNETH A. WILLIG, PRESIDENT AND CEO OF CELLULAND

## ABSTRACT

Celluland is a remarkably successful new franchisor selling new technology to a new marketplace. Its founder, 1987 Entrepreneur of the Year, Ken Willig, attibutes its success to the old fashioned principles of integrity and service. He even includes God in Celluland's Statement of Purpose. This is the fascinating story of Celluland.

## THE CELLULAND STORY

Celluland began in 1984 when Ken Willig was looking to help a young man by the name of Michael Finley. Michael is the son of Dan Finley, a mutual acquaintance of Ken Willig and George Hess . Ken was looking to financially back this young man to start him in the cellular phone business . As part of their assessment of the market environment for cellular phones, Ken and Mike attended a cellular conference . Ken became so interested in the potential for cellular products and the opportunities in marketing these new technology devices that he decided to take a proactive management rather than a passive investment role in this new venture. The result was the formation and success and growth of the company we are talking about here, Celluland.

Ken Willig has a rich background of business experience. Ken founded his own construction equipment firm, which he later sold to Clark Equipment Company. At one point he was managing eleven companies for Clark. Ken was also involved in the founding of several other firms. He was the co-founder of the John Wayne Tennis Club with the late actor.

Perhaps his key strength, like many other successful entrepreneurs, is his mission. Ken Willig is a dedicated individual . He feels that by seeking God's good and perfect will, and by acting on it, he assures himself and those working with him of happiness and success . Note Celluland's "Statement of Purpose" (which is described under Key Points later in this paper).

## The Cellular Opportunity.

Ken Willig was, in his words "completely taken in" by the cellular industry and the players in it." As he puts it, "You do not have any idea how this is going to impact you in the next few years. You absolutely don't know! Judge Green, who divested and split up AT&T and all the Bell Companies, said, 'We are just a few years away from wireless communication.' And we are. We'll have fax by cellular and computers through cellular integration. Hotels, in the future, will drop a cellular signal down through an elevator shaft, and it will eliminate all the wires for all communications. It will also help integrate their computer systems. They will be able to integrate their computers with computers at other hotels and without a wire, except for electricity."

The players in the cellular business are very impressive. In Cincinnati, for example, there are two cellular signal providers. They each provide a signal and they have a major investment in their operation. The initial cost of that cellular license may have been 6 to 8 million dollars. Right now Cincinnati has a population of about 1.2 million. The asset value of that cellular license right now is about $100 per person of population, so that the value of that license, either one of them, is worth about $102 million dollars.

There is only one way that these providers can gain a return on the assets that they have. They must sell billable air time to subscribers. To do that these providers have put in place various forms of distribution. They are in the product selling business and they pay commissions, etc. But they have run into some problems. For example, assume that a customer buys a cellular phone at a stereo shop. When something goes wrong he takes it back but the stereo shop may not be able to service it. And so who does he go to? He goes to the service provider to whom he sends his monthly bill. The provider says, "I'm not in the service business; you have to take it some place else." And so there is a complaint. What the customer then does is he de-activates. He switches to the other provider's system, since there are two in competition with each other in any given major city.

There are four things that determine the value of the cellular providers. They are all zeros into income. The four things are:

1. The quality of the signal.
2. The geography that the system covers.
3. The acquisition rate of subscribers.
4. The retention rate of subscribers

## A Niche for Celluland.

Celluland is a super agent. It provides all the various types of services that are needed to take care of its customers. Celluland allows the provider of the cellular service to get out of the product business, to get out of the direct sale business . Celluland offers one-stop shopping, full-service, with everything you need if you are getting a cellular phone, including back-up for it. The key behind this is that Celluland franchisees, in their operations, have a de-activation rate of about 1.4% per month of the total base, which might seem like a lot. But the average provider has a 4% per month de-activation rate.

Now let's translate that into discrete numbers . Let's assume that a distributor puts a thousand subscribers per year on a provider's system, or 5,000 subscribers over a five year period. If the de-activation rate is 4% per month, they would have only 1,842 subscribers remaining (of the original 5,000) at the end of five years. With Celluland's de-activation rate of 1 .4% there would be almost twice as many subscribers remaining.

Cellular providers want Celluland franchisees in their marketplaces because of Celluland's ability to retain subscribers . Consequently, Celluland has been able to negotiate a competitive edge for franchisees throughout the United States. Master agent agreements are in place with various cellular providers in more than 80 U .S. cities . These agreements include 5 year, non-cut, favorable, premium commission schedules.

When a cellular retailer sells a cellular phone, he receives a commission. And that is the difference between a normal retailer and a Cellular. Most retailers realize their profit on the sale of their product. Celluland does that. But in addition Celluland receives an activation commission from the provider when it activates a phone. These activation commissions range from a low of $150 to as much $600 or $700. And Celluland also receives a percentage of the phone bill, roughly 5%.

The first Celluland opened in mid-1985. It was committed to professional sales and excellent service to capture and retain subscribers. That center required a total capital investment of $225,000 and in 1987 it had a pre-tax profit of $185,000. It forecast profits of $287,000 in 1988 and $335,000 in 1989. These profits are largely attributable to the fixed income of over $25,000 per month as an annuity, coming in as a part of those user-subscribers who are using their phones. Every time that a subscriber uses their phone, Celluland receives a percentage of the revenue. Celluland derives income from phone sales, installations, and also from commissions from each carrier and from the user revenues of its subscribers.

The Celluland Franchise.

This has all been developed into a complete, comprehensive and full support franchise operation. The idea was to replicate that first Celluland, and this has been done through the direction given by Celluland's talented company officers, such as Ken Sully who was formerly a franchisee and executive of Southland Corporation and Entre Computers. It has also been helped by the counsel of outside directors, including a managing partner and other officers of Computerland. Other board members include the CEO of Financial America Network, a former Pepsi Cola executive and Pepsi franchisee, a member of the board of trustees of Home Federal Savings, and a commercial real estate developer.

Celluland believes that the best way to distribute cellular products is through a nationwide network of Cellulands who are the super agents. In this way Celluland will derive the maximum billable air time for the carriers who have their substantial investment involved. Celluland has invested well over a million dollars in replicating its model center through franchisees. It is poised and ready to aggressively expand across the country. Celluland is the only franchisor of cellular phone retail centers.

The first Celluland franchise opened in Palo Alto, California in 1986. By the end of 1987 there were 14 Celluland locations open. At that time plans were developed to reach 45 franchise locations by the end of 1988, 93 by 1989, 189 by the end of 1990, and 320 by 1991. These projections closely parallel the growth rates of Computerland. Celluland has a goal to attain 17% of the total cellular market by 1991. The name Celluland has also been registered in most of the international markets, including Canada, Europe, and Japan.

Celluland corporate headquarters are located in San Diego, California. The Franchising Division is also located there. The Franchising Division includes architectural services, in-house advertising, a public relations agency, service technicians and training. As part of the training program, Celluland has developed its own computer software programs for sales analysis, lead tracking, and sales training. The headquarters location has its own classroom facilities and resident training specialists to help franchisees learn and become proficient in every aspect of the business.

## KEY POINTS

In reviewing Celluland, several "Key Points" surface. These points are felt to be the cause of the success of Celluland to date and the guiding forces toward the future. The key points are:

Statement of Purpose.

In starting a new venture, such as Celluland, a Statement of Purpose helps a great deal. It tells the purpose of that particular organization. It describes what they are really trying to do. The statement of purpose at Celluland eminates from Ken Willig. He not only has it in his own heart, he also makes it available to each person in the organization. The Celluland Statement of Purpose is:

"Celluland is a service organization engaged in the

> marketing, selling, testing, installing and servicing of cellular mobile phones and other related high technology communications products--whose purpose is to provide caring customer service, to be recognized as a leading retailer in the cellular industry, to utilize distinctive marketing techniques, to operate profitably, to attain stated goals, and to offer unique growth opportunities to its employees, shareholders and franchisees--accomplishing these goals by choosing those ways and means which are ethical, just, give glory to God and are consistent with His will."

To illustrate the need for a statement of purpose Ken likes to toss a ball of paper to a person in the audience and ask them to "hit the target." Invariably, they will look around and ask, "What target?" To which Ken will reply, "Right, you have to have a target. How can your employees know where they are going if they do not know what the purpose is. And if you do not have one for yourself, how can you know where you are going?"

### Customer Emphasis and Service.

At Celluland major emphasis is placed on the greeting of the customer and professional appearance. If you have ever shopped for a cellular phone it is doubtful that you ever walked into any place where a person has a tie on or anyone greeted you personally at the front door. At Celluland you will always be personally greeted at the front door by a neat and well groomed professional person. Celluland showrooms are very attractive, not unlike a Businessland or a Computerland showroom. With displays of many lines of phones Celluland represents most of the major brands of cellular phones of high quality.

Celluland has a very specific sales strategy and sales training program. Each franchisee is trained in use of the mobile showroom. With it they go out with the various phones, taking them to the customer and demonstrating them on site. Celluland is also very big on testing of its equipment. One major piece of test equipment alone costs $20,000. It tests and tunes every phone before it goes out and gives the customer a printed readout of the status of his phone equipment. It must operate properly before he receives it. A typical installation area has carpeted floors, a built-in vacuum system, side lighting, and the latest in all tooling, all the way down to the tools themselves that are made for Celluland and have the Celluland name on them. Installation areas use special trays for proper installation, because installation determines half of the quality of the use of a cellular phone. Celluland completely removes the seats of an auto in an installation. Installers are professionally trained to know where to run the proper channels. These standard operating procedures at Celluland greatly enhance the quality of the service that a cellular phone customer receives.

Every franchisee is an extension of Celluland and each must portray service. Celluland looks to become the "Nordstrom" of Cellulars. Nordstrom is a department store started in Seattle and known for its service. Ken Willig challenges his managers to name, individually, a place with service. And they all come up with Nordstrom. No one comes up with a number two. Service is extremely important. Celluland's motto is "Service sets us apart." You will see it everywhere. But you can't just say it to make it happen. You have to live it. You have to convince your people of it. You have to understand what it is. It means going to someone's home at 5:30 in the morning, picking him up, taking him to the airport, dropping him off, taking his car in, installing a phone during the day, and picking him up at 9:00 that night with the phone installed and ready for him to work, that's service. You have to understand a certain attitude. It starts at the top. As Ken Willig says, "At Celluland we are all service. I serve my managers, my managers serve their employees, we serve the franchisees. It's a service, heart and service attitude."

## Employee Participation and Involvement.

At Celluland the employees do participate. Sometimes they have a little trouble adjusting to this participation and involvement. But they love it, and this is evident. It's a very pleasant thing to watch in progress.

Ken Willig is not an easy person to work for. He tells his employees to plan on being challenged. If an employee joins Celluland and leaves at the same state of ability level as when he or she came, then Ken feels that he has failed. He feels that he is there to challenge them, to put them into positions where he keeps nudging them forward. About the moment that they think they really have got it down, he lets them know that they have got to go another step further. And that is an ongoing challenge. It is done through goals and objectives with a specific plan. It is also done through a variety of regular management meetings.

Celluland has a company meeting at 7:30 in the morning on the first day of every month. At that time the manager of each department stands up and reviews, for all the employees, what they have done the previous month in that department. They put up the goals that they agreed to at the beginning of the month. Then they put up their performance. Last, they state what their goals are for the next month.

In addition to the monthly general management meeting, Ken has a one-on-one management meeting with each direct report once a week, regularly scheduled. Since he is sometimes busy or out of town his Vice President of Administration often sits in for Ken in these meetings. He sits in on all of Ken's meetings and conducts many of them in his absence so that those meetings occur, like clockwork, every week. Someone is there. They never miss a hub. Following all those meetings which occur on Monday, there is an all-managers meeting. It is a dialogue-type meeting where each manager states what they are doing and how they are performing. And of course, each department has a pro forma. It measures performance. It is direct accountability.

Each employee gets involved. They are either given stock or bonuses or they have options given to them to buy stock. Celluland encourages employee purchase and ownership of stock. Most of its employees own stock. All of the key employees own stock.

## Knowledge, Work Experience, Training.

As Celluland rolled out its franchise package, Ken Willig wanted the initial franchisees to have the highest probability of success possible. So it was his decision to choose a profile for that franchisee. He wanted an entrepreneur. He wanted someone who had been in business before, where they had been successful in it and sold it, where they had adequate capital to go out and to operate it, and they had good business management experience. Well, he found them and sold the first franchises to them. He found them by advertising in the Wall Street Journal. They were from the oil industry, the banking industries, and various other unrelated businesses.

As it turned out, that was a mistake. The experienced, knowledgeable person who had sufficient capital to carry this franchise operation on his own, first of all, did not want to work as hard as you need to work; second, had his own ideas and did not want to follow the system that Celluland had proven will work; third, wanted to hire a sales manager to manage the sales, and Celluland looks at the sales manager as a sales leader and puts all the administrative work on the person they call the Sales Administrator. So the first franchisees were not following the system.

Celluland had to rethink what kind of franchisee it was looking for. It classified the ideal profile in term of four factors: experience, personality, financial strength, and compatibility.

Concerning experience, Celluland decided that it wanted someone who had a successful sales background, had managed or trained a sales force, was knowledgeable in basic marketing, consumer or high tech, had some college background, had been in the market for at least two years, was involved in a community, had hands-on retail management experience, and was computer literate (Celluland software packages make extensive use of Lotus 1-2-3).

Next, Celluland looked at the applicant's personality. They wanted someone with a high energy level, a motivator, someone able to organize and direct multiple projects. They also wanted someone concerned with results. Seeks challenges. Very competitive. Ambitious. Fast, positive approach to challenges. Takes charge in a very convincing way. Emphasis on fast, fluent, to-the-point communications. Likes to make decisions but delegates detail. A people-oriented person. Very creative and innovative.

Regarding financial strength, Celluland doesn't want him to have a lot of money, but a net worth of around $200,000, available cash resources of maybe $80,000, excellent credit and trade references and the ability to obtain about $50,000 in financing. The carriers so much want Celluland into their markets that they are willing to finance at least dollar per dollar for Celluland franchisees to open in their markets. And it is this person, with this type of a financial profile and who is willing to work out there and make it happen; this is the type of person that Celluland is looking for as a franchisee. They cannot be looking for a retirement position.

Compatibility is always a big plus. The franchisee should be someone who desires to follow the Celluland system. Ken says that he doesn't want someone with a lot of business experience. He doesn't even want him to be in this industry or anything related to it. Ken wants him to come in dependent upon a system that he knows works. And he wants him to support, philosophically, the statement of purpose. So that, in whole, makes up what Ken sees as the ideal profile of the Celluland franchisee. Experience, personality, financial strength, and compatibility.

Business Plan.

"I'm not sure why most people do not want to do a business plan," Ken says. "And when asked to do one, they first say, 'well, what do I do to get this?', as if there is a magic formula." Ken says that what you need to do is think out for yourself exactly what you are going to do with your company, where you want to go, etc. Celluland has found a problem with their franchisees to get them to sit down and do a business plan. They struggle through it. Everybody seems to look for that magic textbook formula. In the absence of that, Celluland has developed a plan format that it gives to franchise prospects for them to review in considering and putting together their business plan. The format contains the data elements that they need in their plan. It, of course, includes a table of contents. It asks the franchisee to talk about the opportunity. How do they see it? What is their statement of purpose? What is their purpose in getting into this business? How big is their market? Celluland wants them to take a look at the competition. Develop a marketing plan. People. Their organization. What costs do they expect to incur prior to opening?

The Marketing Plan. It is a key sub segment of the Business Plan. Here are a few questions it must address: What is the Celluland Sales Strategy? You would want to know. How does this differ from what is going on in my present market? Why do I think Celluland methods will be successful in my market?

Advertising. Franchisees are told that they should develop an advertising plan and Celluland offers a simple formula for them. It goes like this: "Decide exactly what you want to do and lay it all out in total perspective and then go examine your budget and whittle away at it until it fits your budget. That's the way to do it; not the other way around. Never do it in reverse. Never do it starting with the budget and then going on to say, well, this is what I can do with that budget."

Products. Which products are selling? Why is one selling over another?

People. The Celluland franchise package includes a position description for every person in the organization. It provides a profile for each person, what their responsibilities are, what their authority is, what they are to do at 8:30 in the morning, what they are to do at noon. It's down to a detail. The franchisee must find the proper type of a person to fit each particular slot.

Management. Ken likes to ask several key questions of prospective franchisees. "How much time do you plan to spend selling?" Celluland's first generation of franchisees didn't want to sell at all. "I couldn't believe it," Ken says. "They put this money up, $250,000 or so, and they didn't even want to sell. Well how do you figure that you are going to sell phones if you are not going to sell? They say that they will hire a sales manager. Well, they are not big enough to do that."

Pro Forma. And last, Celluland asks franchisees to develop a two year pro forma financial projection. Toward that end Celluland has developed a computer software package to the point where the franchisee must just go down and put in their data and their what-ifs and push the calc button and it all prints out.

"Now, it is easy for me to say that we expect a franchisee to do this but it is still a little bit difficult," Ken admits. "So we have developed a format for them to simply fill out. It includes all the major ingredients of their plan. Who are their competitors? Where are they located? Rank them in size. We evaluate competition and figure how we have an edge on competition. What position are they taking in the marketplace? If the guy is in the price business you are not there to compete against him; that's his position. You don't want your ad to look like his. You don't want to look like him. In fact, you want to look totally unlike him. So there may be a guy in Cincinnati selling cellular phones for $595 who thinks that he has control of this market. But he is very vulnerable because he doesn't offer service. Celluland would blow him away. It really would because he doesn't offer service. He can't offer service at that price. No way can he back up his service properly at that price." This is a glance at the package that Celluland put together to help franchisees develop their business plan.

## THE CELLULAND FRANCHISE OPPORTUNITY

Ken sometimes gets asked about the profile of a franchisee. In particular, the requirement that he or she be a person with a net worth of $200,000 comes up. Is this too limiting for people who may not have that money but still have the desire to start a Celluland franchise?

Ken agrees that it is limiting. But he thinks that it is necessary. He thinks that when examining the total net worth, with real estate included, that the person should come close to that. But he goes on to say that if a person really wanted to get into the business and did not have that net worth but qualified in every other way, Celluland has people who want to finance them into this business. If someone met all the criteria except the financial, Celluland would work with them. The prospective franchisee would say, "I want a franchise. This fits my profile. I like the business." They would then work through a business plan. If it looked promising then Celluland would say, "All right, come to work for us." And at that point the potential franchisee would start as a Sales Representative at the Celluland Model Center. And he or she would work out from there.

In the month of January, 1988, some 70% of the employees from the Celluland Model Center left the company. They went out into the franchising network. They went out as partners, general managers, sales managers, service managers, and accountants at franchise locations. They all fanned out. And they all went out into positions where they are going to get stock. The Model Center is really part of a school, a training area.

Two of the employees who left the Model Center went into partnership and they now own their own center and they are going to develop more. Two of them did, and they got the financial backing of someone else. They bought the franchise in December. They opened it in January, toward the end of the month. In their first month of operation they made a net profit of $4,500. The partner who put up the money owned 50% of the business and they owned 50%. Since then they have gone to the bank and friends and borrowed enough and they bought out the partner and at the end of March they owned it 100%. So the financial profile of a potential franchisee may be a temporary barrier but Celluland will help them work around it.

The service formula that Ken Willig has implemented throughout Celluland and its franchises was counter to what the cellular carriers recommended. "We tried to become an agent for them and they turned us down," Ken said. Celluland wanted to go into a retail location but the carrier wanted them in an industrial location. Celluland wanted to do direct sales and retail sales with a high service concentration. The carrier wanted them to put their concentration on boiler room telemarketing and all direct sales. "So they wouldn't appoint us," Ken says. "And they appointed three other agents. In one year all three of those agents were out of business in San Diego and we were then an agent for the carrier. And we have been their prime agent since, with five locations in San Diego, all centered around service and retail. And the industry is moving our way."

As Celluland saw that it was going to be successful it began preparation of the franchise package. Ken Sully, the Franchising Manager, took what had been developed at the Model Center and reduced it to manuals. Then Celluland did a unique thing. They had Sully, without help, go and open up the second center as if he were a franchisee, so he could experience all the problems inherent in opening a center. He recorded everything, every step of the way. The Celluland Franchise Package has been field tested and it works. It also has some very sympathetic professionals ready to help implement it at new locations.

# SUPPORTING CREATIVITY
# WITHIN COMMERCIAL ENTERPRISES

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## ABSTRACT

Promoting creativity in commercial organizations is fundamental to the process of gaining innovative and entrepreneurial behaviors. Although employees vary in their propensity to make creative contributions, management's strategy is best aimed at creating conditions where all may contribute. To make it work requires direct action from all levels of management.

## INTRODUCTION

Knowledge about what management can do to increase creative contributions is deemed absolutely essential to the future of commercial enterprises. For example, 90% of almost 1000 senior executives in Europe, the U.S. and Japan tell us innovation is needed in their firms and 75% of them believe special skills and knowledges are required to effectively manage the innovation process. (15) In a separate survey of over 500 senior executives from 400 U.S. corporations, 88% believed an entrepreneurial environment within the corporation is an important condition for innovation. (7) The significant question is how can an organization change its ways to be responsive to this challenge? Can it be done and is it really desired?

If a close examination was made of current practices in many U.S. firms, the results would likely show that most favor repetition over innovation. Generally, they do the same thing over and over, with only occasional, modest variations. (5) When spurred to innovate, they send out an urgent call for new ideas. At the same time they conjure up an ideal model of the product or opportunity being sought. It will have no risk, require little change, take little or no investment, can be done in a short time frame and will yield first year profits above the level of present operations. Obviously, most ideas don't measure up. On the other hand, a long-running product line with modest variations for particular customer segments or purposes can be a very lucrative endeavor. Such situations often produce the black ink for many firms and the shift to the new, the different, the unproven is a much more risky option.

Then perhaps it isn't a major product breakthrough that is sought. Perhaps it is many smaller ideas contributing to virtually all aspects of the business, in daily operations, in packaging adaptations, in better selling approaches (within existing channels, of course), or in gaining more efficient shipping and billing procedures. Here, again, a problem stands in the way that involves common practices. Most enterprises are organized and controlled for efficiency. They squeeze on time, follow directives rather rigidly and try not to "rock the boat." Their concentrated efforts towards "efficiency" create an organizational culture that inhibits even modest idea production, try-out and use. (2) (9) (19)

However, a number of businesses seem to have been able to break out of these constraints into new modes of operations. Smaller and more imaginative steel companies have been able to maintain profitability when larger firms move into red ink. General Electric and 3M have built cultures that tend to spur new and improved products on a rather continuous basis. UPS and Federal Express have carved out substantial market shares in package delivery. MCI and Sprint have found niches in the communications industry, and soon salad dressing samples will come in magazines (Innotech Corp.), low cholesterol eggs will be available (Environmental Systems, Inc.) and AC-DC power converters will exist at one tenth their former size (Vicor Corp.). The future of such enterprises looks favorable. (13) Therefore, assuming the senior executives of a firm do desire to join this group and shift the pendulum towards the more innovative side, where might they start?

## CREATIVITY: THE COMMON ELEMENT

Creativity is the trigger mechanism for many of those human actions in organizations that are so desired by senior managers. Both innovation and entrepreneurship are closely linked to creativity. Entrepreneurship and innovation represent unique pathways to reach satisfying outcomes for individuals, yet both depend in part on certain creative behaviors. If the route to achieving publicly-acknowledged creative results, for example, always ended up following the Potomic River to the Smithsonian Institute, then the innovation route follows the Potomic and ends up in the patent office and the entrepreneurs follow the Potomic and end up scattered along Pennsylvania Avenue. Destinations or outcomes may differ, but all make part of the journey along an identical route. Therefore, it can be useful to concentrate attention on facilitating movements along that common route, which for purposes of this paper, will be identified with the creativity phenomenon.

Creativity is a complex, multi-dimensional phenomenon. It is defined in different ways and encompasses many different behaviors. If a full and complete picture of a creative person were to be compiled, it would require many images. (11) Two individuals in the same occupation in the same organization may express their creativity in entirely different ways. (17) If the variances in occupation and environment are added in, the complexity of creativity actions escalates rapidly. To deal with the many variations requires a supervisor and an environment that are in tune with the basics of human creative behaviors. Using the basics, the organization and its leaders can devise the requisite diversity of effort needed to challenge and support creative minds, and deal with the vast array of potential creative behaviors possible within the enterprise.

## FACILITATING ACTIONS

Enough is known about the basics of facilitating creativity to suggest several fundamental approaches for managers. It is known for example, that most moderately creative people tend to improve their creative outputs when they understand a bit more about creative processes and the skills that facilitate idea production (for example, how to "break set" in thinking about a situation). Gaining such skills requires guided practice for the individual to become comfortable with using the techniques in different circumstances. Deliberate methods of improving creative applications have amassed such an amazing record in inventions, scientific discoveries, product improvements, elegant variations of programs and other creative achievements, that there is no question that they work. (18) (3)

Some years ago, Battelle Memorial Institute scientists landed a waste product recycling research contract by applying techniques from a workshop conducted by The Creative Education Foundation, Inc. A group of the Battelle professionals got excited about the project and made it work in spite of substantial obstacles. It was an "extra" accomplishment on top of their regular activities, by a group of employees stimulated by their own "gut feelings" that they could be more creative. Extraordinary commitment by employees can at times "move mountains". The Battelle effort was initiated during interaction with the external group, which was a series of experiences designed to facilitate creative thinking. While there may be several reasons why the scientists chose to take on their project, at least one significant part of it was the excitement of applying some of the new ways of thinking to which they had been exposed. In this case, the "acceptance finding" portion of a creative problem solving model used in the workshop played a major role in the Battelle endeavor. The point is the exposure to the external group was arranged by management as one of their efforts to allow their people to learn a bit more about the creative process and to practice various ideation techniques.

Another basic approach is to show and seek commitment. The first part means to show the firm's commitment as clearly as possible, that it wants and will use new and different methods. The second part is to use many strategies to seek stronger employee commitment to the firm (by having employees visit the users of their products or services, as an example). Strong commitment is the force that will impel an employee to allocate a significant share of creative energy to fulfill company purposes. (10)

Showing the firm's commitment to the process of seeking and using new ideas covers a variety of potential actions. Certainly clarification of the expectation is one facet, handling responses constructively is another, and recognizing the attempts to respond is a third. Beyond these, some of the more commonly found conditions that show commitment are delegating greater power and responsibility, increasing discretionary freedom for individuals, showing tolerance for mistakes and false starts associated with creative efforts, sharing more information and problems, using peer oriented control systems, creating a stronger sense of personal job security, and striving for open communication (which even when it is good, will be the subject of complaints).

To check how well the organization is doing, management consultant, Josh Abend (1) includes the following questions in his list of tests for organizational innovations:

1. What is the inertia pattern? Every organization shows inertia to new proposals, some a matter of years between first exposure and decision time. How long is it here?
2. What is gestation time? Once approved, how long does it take to get through the pipeline to become a product, program or system?
3. What has to happen to gain acceptance?
4. What is the perception as to who has the responsibility for innovation?
5. What are the mechanisms for raising questions, changing policies, or establishing collaborative undertakings.
6. Is it possible to say "no" to the president?

Obviously these questions differ in applicability depending on the nature of the organization, but they point out several useful ways of looking at the organizations operating patterns.

## MANAGEMENT IS THE KEY

Since creativity does not automatically flow towards a firms challenges, management must arduously court it, but with a very delicate, balanced touch. By communicating well, challenging traditional procedures and norms that inhibit creativity, building employees confidence and security, and recognizing that every serious suggestion is valuable but may not be usable, the individual supervisor can contribute to the organization's effort to seek creative responses.

It is a tough challenge to manage for creativity. Often it is a bit messy. It involves ambiguity and uncertainty which are more comfortable for some managers than others. (8) Flexible managers who vary their approaches to others, tend to generate more productive results. (6) Not all, however, can handle managerial responsibilities in that manner nor provide the nourishment needed within an environment that invites creative contributions.

Just as all managers may not possess the capacity to lead in ways that evokes creative contributions, neither will all employees respond to such requests. The recommended basic strategy, however, is to seek increased creative outputs from all employees. This strategy seems to work because it focusses attention on the modest creative contributions of many individuals. The sum total of this continuous flow keeps an organization vibrant and productive in resourceful ways. When engaged in creative endeavors, energy levels rise and commitment to the organization deepens. The sum total of contributions of many moderately creative people in an organization may not be as easily visible as the great book of a writer, but it keeps the organization improving constantly and sets an enthusiastic tone. Not everyone will participate, but enough will to keep the place exciting -- and there are plenty of essential tasks for all. The people will become involved but to make it work, the initiative and continued support must come from management.

To accomplish this flow requires sufficient attention to the culture of the enterprise so that both major and minor creative contributions will occur. (16) The highly creative individuals will produce contributions at more than ten times the rate of the marginally creative person. (12) (14) The highly-creative person is a rare species and often is most productive when located in a mainstream function of the firm or when exposed to potential product areas of interest to the firm. The marginally-creative person may have other talents that are valuable to the organization and not possessed by the highly creative. The wise manager uses the strengths of each member of the organization to gain both individual and organizational successes of many kinds.

The best way to identify those individuals in an organization who have greater creativity potential, is to look at prior records of idea generation. Search out where ideas come from and who was involved. In so doing, allocate recognition liberally, for the process of idea production is not precise. If the organization can identify the criteria for creativity that is desired in the organization it is possible also to screen applicants for new positions to emphasize the selected criteria. (20)

Overall, if management prefers an increased level of entrepreneurial, innovative and creative behaviors among its employees, it faces an awesome task. The challenge may be as significant as a complete restructuring of the company for some firms and merely an accelerated evolution for others. Changing an organization's culture takes a long time because it involves intangibles such as trust, respect, and reputation accumulated across many organizational segments and individuals. Fortunately, specific steps can be scheduled each year, along with an estimate of the gains to be achieved as part of a total plan. More important, for many individuals--likely those who will be most influential in the early stages--the challenge is an exciting one that they have wanted to undertake for a long time. That means almost every organization has a latent core group to lead the effort. The birth of any change, however, absolutely requires the active support of those senior managers who claim they want the change. Actions speak louder than words.

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## PEOPLE SAY IT'S A GREAT IDEA:
## Blue Crab Bay Company

PAMELA BAREFOOT, PRESIDENT
BLUE CRAB BAY COMPANY, INC.

I'm Pamela Barefoot, President of the three-year-old Blue Crab Bay Company of Onancock, Virginia, a tiny peninsula located between the Chesapeake Bay and the Atlantic. A little over three years ago my husband and I left secure jobs and a great home on a historic plantation near Richmond to move to Virginia's Eastern Shore, which has also been referred to as "Virginia's Third World." We bought our first home and decided to try to survive creatively, he as a boatbuilder and me as a freelance whatever. About six months later, I decided to start a small cottage industry selling gift baskets filled with local crafts and foods. Everyone thought it was a great idea. I couldn't find any local foods to add to the assortment, so I came up with my own--herbs for a crab dip, local honey and jams and clams labeled with my logo. I named my business Blue Crab Bay Company because the Chesapeake Bay is the world's largest producer of blue crabs.

I borrowed $ 1,000 from a friend and set up my first office in a local historic building. Three days later I lost everything in a fire and had to start all over again with my research. Covered with soot from the fire, I almost strangled my banker when he told me he couldn't approve a $ 5,000 loan I had been counting on. (He changed his mind rapidly). With more funds in hand, I set up the business in an extra room of my farmhouse and set to work again. Shortly thereafter, Hurricane Gloria paid a visit to the Eastern Shore. A hundred-year-old elm tree crashed down alongside my home, causing my new office to receive lots of rain damage from broken windows and a cracked ceiling. I picked up the pieces and kept on going. My first Christmas brochure was late, of course, but I sold items to about twenty customers (mostly friends) and learned that there was a lot of interest from specialty shops who wanted to buy my products for their gift baskets. I concluded my six week selling season with $ 5,000 in sales and the feeling that I had a basic foundation for a business, a product that filled a unique niche, and the potential for retail, wholesale and corporate development of the business.

And then my husband's employer had a mid-life crisis and my husband was without a job. New Year's 1986 found me at a loss for a direction. I had $ 200 in the bank, I owed $ 5,000 to the bank and $ 3,000 to friends. Another friend offered to come into my business with $ 20,000 for a 50-50 partnership. I said no and some of my friends thought I had closed the door to an angel. But I wanted to be in complete creative control of the direction and growth of my company. Later that month I met a woman, Linda Gayle, at a Superbowl party who had a newborn infant, an MBA, and a burning desire to get involved in some business. I told her I couldn't pay her, so we worked out a deal where she earned shares in the company, which I then incorporated as a sub-Chapter S. We sold some shares to friends to earn some capital. That spring I pinched a nerve in my back picking up seashells on the islands for the baskets and spent two months in bed.

While I was feeling depressed about my health, I learned about SELF Magazine's Fresh Start contest and submitted my application with plans for developing my business. In June 1986, Linda and I took a big chance and invested $ 500 into a booth at the Washington Gift Show. It was Blue Crab Bay Company's debut with the buyers of gift and specialty food shops and we were a smashing success, taking in $ 13,000 in orders at the show. Returning from D.C., I learned that I was one of four winners of the SELF Magazine Fresh Start Award, which consisted of $ 7,500, consultations and major publicity. I deposited the money in a bank and began drawing my first salary, $ 500 a month. Linda and a friend bought a quaint building in downtown Onancock (population 1,500) and rented it to the company. We shipped out our wholesale orders and then opened a small retail shop and published a second Christmas brochure. By the end of 1986, the company grossed $ 75,000, up a mere $ 70,000 from 1985. And we almost broke even.

1987 began slowly. We established a $ 20,000 line of credit, which kept us going for a few months. I kept busy with new product development, adding to our products more seasonings and gift items. That summer, we increased the number of wholesale trade shows, adding Orlando and Atlanta. We expanded the retail brochure into a full-size catalog, which unfortunately got lost in the mail to many of our customers. We lost money. In October the SELF Magazine article came out and over the next few months we received more than 1,500 letters from people across the country, many of them new or would-be entrepreneurs encouraged by our efforts. Toward the end of the year, Linda and I finally had a chance to determine our overhead and realized we were losing money on a number of our products. Our sales for 1987 had risen to $ 210,000 but our expenses had gone up to $ 224,000. We raised our prices on all of the products to help offset our overhead.

Christmas Eve, after working diligently to fill all of our catalog orders for several weeks, I was tired and looking forward to a break. I got six breaks that day in my right foot after I tripped over my purse in my office. Despite a knee-high cast and crutches, I traveled to the Dallas Gift Show in January and added to our list of customers shops in the mid-West, Southwest and even Alaska! That gave us about 800 shops carrying our line of seasonings and gifts.

My plans for this year are to prepare a budget (our first!), write a business plan, a personnel manual (there are now six employees), attend more trade shows, add on reps in New England, and de-emphasize the catalog. Also, we're leaving our tiny over-crowded building and moving across the street to a building with lots of room to grow in.

Publicity-wise, we're going to be featured in a Soviet magazine called AMERICA ILLUSTRATED in the Fall. (Should really increase consumption of clam dip in Russia!) BON APPÉTIT is coming over in a few months to do a story on a seafood roast we're coordinating out on the barrier islands.

Right now, I'm scared, and I feel the business is at a turning point. We have something that people love and want. But I'm not sure how to make it work, or if it will work. I know that the decisions we make this year will determine whether or not this "great idea" is also a great business.

# LATERAL THINKING: THE UNDERLYING VARIABLE INFLUENCING CREATIVE, INNOVATIVE AND ENTREPRENEURIAL CHARACTERISTICS.

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## INTRODUCTION

Human beings are different from all other animals on earth in their ability to shape and use tools. When they do, they bring change to their environment. Hieroglyphics made possible the organization of an urban society in ancient Egypt. Printing and the railroads had significant impacts on our civilization as well.

As time has passed, the social effects of our new tools and systems have multiplied to become more complex and interdependent. As a result we live in age where there exists an accelerating rate of change that is beyond the grasp of most ordinary individuals. To compound this state of affairs, as the twentieth century draws to a close we stand on the threshold of an age of discovery whose products and their effects will make everything that has gone before seem simple and leisurely.

The need for creative, innovative and entrepreneurial efforts in the future is clear. It requires increasing our knowledge and efforts in these areas in order to succeed in a new and vastly complex society where technological change will keep us all on the alert. Clearly we will need to be increasingly creative and innovative in our approach to new products, services and businesses. Who will be the leaders in this future environment?

New research in neurophysiology suggests that the cerebral processes involved in memory and creative thought are intensely interactive. The brain appears to be structured in the form of a tremendous network of dynamic, interconnected systems capable a million times over of making mental associations that link one set of data to another in the most unexpected ways. The people who will lead tomorrow are those whose mental processes are remarkably close to such a system. They are the people who think laterally. Their best work comes from making serendipitous and surprising mental associations. Their perceptions of life are similar. Almost without exception they look at the world in a highly idiosyncratic manner. They are refreshingly and sometimes sharply individualistic. For them, group activities and committee thinking are, at best, of secondary importance. And all of them share the burning desire of Thomas Edison's "to find a better way." (Brown, 1988).

## EXAMPLE OF CREATIVE, INNOVATIVE AND ENTREPRENEURIAL INDIVIDUALS.

The following are examples of people, who have displayed truly creative, innovative and entrepreneurial characteristics and in so doing have changed our world. The examples are cited herein to arrive at a clearer understanding of what these individuals may have had in common. By studying their characteristics we may be able to see them in ourselves and to use these assets to improve our opportunities to become more creative, innovative and entrepreneurial.

### Wilson Greatbatch

Wilson Greatbatch is the inventor of the implantable heart pacemaker. When he first learned about heart block in 1951, he knew that an artificial pacemaker could cure it, but he couldn't build one small enough to be implantable with the materials then available. When transistors became available in the late 1950's, his idea was suddenly possible. Greenbatch built the first experimental units almost immediately but it was taking more time than his job as an electrical engineer would allow. With only enough money to feed his family for two years, plus $2000 to cover his expenses, he quit his job and began to build the first implantable artificial pacemakers in a barn behind his house. Today, more than three hundred thousand pacemakers are implanted worldwide each year.

Greatbatch never doubted his ability to make his pacemaker work or to make it small enough to be implantable. He has continued to beat large corporations at their own game as well. For example, Duracell Inc. (formerly P. R. Mallory & Co., Inc.) was the biggest pacemaker battery company in the business for ten years, and they made most of the pacemaker batteries in the world. Now they make none because Greatbatch's small company beat them out of the market with the lithium battery. Another example is General Electric. His company has competed with General Electric on four different occasions: once an aerospace medical work, once on cardiac monitors, once on pacemakers and more recently on pacemaker batteries. General Electric is no longer involved in any of these areas because each time Greatbatch provided a faster response and more efficient research.

Greatbach doesn't see how anyone with an entrepreneurial spirit can work in a large organization. He states that he needs to "....work the way I want to. I don't want to ask anybody. If I have to ask someone if I can do something, I'm beat. If I get an idea late at night, I've just got to go ahead, get up at two o'clock in the morning, and go down to the lab --- and not ask anybody." He further stated "...people tell me that one of the big differences between me and other people ...is stick-to-it-iveness. In fact, I think its true of...most entrepreneurs." In addition "...it takes drive; it takes an inability to be discouraged." (Brown, 1988).

### Bob Gundlach

Bob Gundlach, of Xerox, has over 133 patents in xerography. When he arrived at the Haloid Company--later Xerox--Xerox machines took as long as four minutes to make a single copy. Within a year, Gundlach had three patentable ideas, one of which was for the multiple-copy process. Eight years after Gundlach arrived, through his drive and determination, their new copier could make a single copy in just under one minute. Ten years later, a $10,000 investment in Haloid stock was worth one million dollars. Today, Xerox copiers can produce 120 copies a minute.

When questioned regarding his success at Xerox, Gundlach provided several thoughts on being creative and entrepreneurial. He stated that while training and education are important, some people become so well-trained it becomes a handicap and "...they're afraid of being creative because being creative means taking risks...I don't know how you train people to take chances and risks. What people are really risking ... is failure, and our schools don't encourage failure. In fact, a student in school gets a big fat F for failure, and I think this is unfortunate. By training students not to fail, maybe we're also training them not to be creative. Unless you're willing to risk something, you're really not going to try something new. And you're not going to be very creative unless you're going to risk something." (Hinman, 1987).

Gundlach further stated that one common characteristic he has observed in creative people is "...a good sense of imagination--more specifically, a good ability to visualize." To be successful, one should have a willingness to work and be highly motivated. It takes a lot of energy and determination. Even when you have a good idea, "...it probably won't go anywhere unless you have a lot of perseverance. For example, Chet Carlson, the inventor of xerography had to wait twenty-two years to get it on the market. He approached at least twenty major business equipment corporations in America, as well as the National Inventors Council and other federal agencies. None expressed an interest in his idea.

When Gundlach was asked if Xerox, with its tremendous resources in basic research, would keep itself on a par or better than its competition, he responded: "There's a difference between creativity and innovation. Innovation is the follow-through on...the creation, and large corporations don't have as good a record as smaller ones do at innovation. "I read a year or so ago that the number of product innovations per million dollars is about twenty-six times as high for smaller firms as it is for large corporations. Large corporations, I think, get more conservative." (Brown, 1988).

Jerome Lemelson

Jerome Lemelson is an idea man. He has patents on everything from cut-out toys on the back of cereal boxes to manufacturing systems for integrated circuits. He has his own company, Licensing Management Corporation, which he staffs, manages, and operates entirely on his own. He believes his success may be attributed, in part, to optimism; not overoptimism, but cautious optimism. People are always being told their ideas will not work. "Even when the Wright Brothers had been flying their airplane for several years, people who hadn't seen it fly didn't believe it...To overcome that kind of negativism, you need a certain amount of optimism as well as determination and stick-to-it-tiveness."

With respect to innovation in large corporations, Lemelson stated that; "When you look at what's required to get a new product through all the red tape and the opposition, a major problem is that virtually a hundred people have to sign off on an idea. If anyone of them says no, the idea is dead. What scholars have discovered in studying innovation and product development is that new products require a champion--a person who will personally take responsibility for a product and move it along from stage to stage and be sure that it doesn't get shot down. We don't have many champions out there, and one of the basic reasons we don't is because we don't train people as champions." (Brown, 1988).

Steve Wozniak

Steve Wozniak had no intention of starting a company when he designed the Apple II in the mid-1970's. In 1977, however, he and Steve Jobs founded Apple Computer. By 1980, their sales topped $100 million. Risk, determination, creativity, perseverance all played a major role in their success. They built their first computers in Jobs' garage. To finance their business, Wozniak sold two of his Hewlett-Packard calculators and Jobs sold his Volkswagen bus. Wozniak quit his job at Hewlett-Packard, a job he enjoyed, with considerable risk of not being able to rejoin that company if he should fail with his new venture. One of his major problems was the negativism he faced from the people around him. He stated that: "...its hard when you have an idea and you want to implement it the way you see it and everybody else tells you why it won't work. The funny thing is that sometimes they'll have very good logical reasons and they are right from some viewpoint. ... But the trouble is that often a different approach makes no difference in the outcome. For example, I can use approach A, approach B, or approach C--it doesn't matter which I choose. In the end, the important thing is that I get it done. And in getting it done, the most important thing is confidence." (Brown, 1988).

## Wally "Famous" Amos

Wally "Famous Amos, of Famous Amos Cookie fame spoke at the 4th Creativity, Innovation and Entrepreneurship Conference in Los Angeles last March. He had started his cookie business twelve years earlier with limited knowledge or resources to do so. But he had something more important, a strong desire to bake and sell chocolate chip cookies. In addition, he had definite ideas as to how he intended to bake and sell his cookies. He believed that what he had to do was to satisfy himself, not someone else. He said "I make those cookies to please me. Because I want to eat the best. I want to taste a lot of chocolate. I want to taste a lot of pecans. I want to see the ingredients. I'm not going to sell you anything that I don't want to eat." Standards have to be high, shortcuts and savings from cheaper ingredients or poor equipment were unacceptable. He believe he bakes and sells the best chocolate chip cookies in the world and is proud of it! (Solomon and Whiting, 1986).

## Helen Smith

Helen Smith had worked as a secretary for 27 years when a fire destroyed her employer's business. She suddenly found that it was very difficult for a 45-year old divorcee to find a job; therefore she was forced to seek food stamps and welfare to support her three children. Helen had one thing she knew she could do well-baking pies. She went to five local restaurants asking them to sell her pies until she could find a job. They agreed, so she found a $50 stove at a garage sale and started baking pies to sell at the restaurants. The pies sold extremely well with people all over town placing orders with her.

Finally Helen found a job as a secretary for a Houston Oil Company 23 miles away. Her former customers kept asking for pies and suggested that she open a pie shop. Nevertheless, she continued as a secretary for three years before giving up her job; a decision which was not easy because it meant forsaking a regular paycheck and wonderful benefits. Helen enrolled in a Small Business Administration (SBA) seminar and then applied for a $25,000 loan through the SBA. Helen's five-year business plan projected sales of $100,000 at the end of five years. At the end of the first year, sales had reached $137,000. Helen stated that the secret to her success is hard work, determination, belief in herself and "knowing" that her pies are the best pies ever baked. Every pie is made to satisfy her own standards. (Solomon and Whiting, 1986).

## CONCLUSION

What do all of the above discussed individuals have in common? Many characteristics and terms come readily to mind. All possessed strong convictions regarding what they were doing. All "Championed" a new effort or product or business as if it were their own child. All faced family, friends and others who warned them of the dangers in taking on their new endeavor. All showed determination and persistence in the face of possible failure and ridicule. All were willing to risk the security and safety of the status quo in order to pursue a dream or desire in which they fully believed. All perceived their situation considerably different than did the majority of the people around them.

All of the people mentioned above showed creative, innovative and entrepreneurial characteristics. They visualized success and sought it with fervor. Obstacles were surmounted with an inner strength previously unknown. High quality standards were insisted upon even when it appeared that such could result in failure. Equally important, none believed they would fail! How much of this is the result of lateral thinking? Certainly these individuals considered themselves logical and realistic. Yet, they clearly were not considered logical or realistic by the majority of those around them. They show, in most cases, a different thought process often similar to what we appear to know about the process of creative thinking especially with respect to their ability to think laterally. They associate success as an integral part of their overall effort, frequently denying risk factors others see as very real.

Thus the relationship between creativity, innovation and entrepreneurship.

Perhaps this is a good place to quote Edgar Alan Guest in what Wally "Famous" Amos calls the entrepreneur's anthem or entrepreneur's creed: "Somebody said that it couldn't be done. But he, with a chuckle, replied, well, may be it couldn't but he would be one who wouldn't say so until he tried. So he buckled right in with a trace of a grin on his face. If he worried he hid it. He started to sing as he tackled the thing that couldn't be done, and he did it. Somebody scoffed and said, 'you'll never do that." At least no one had ever done it. and he took off his coat, and he took off his hat and the first thing we knew he begun it. With a lift of his chin and a bit of a grin, without any doubting or quitting. He started to sing as he tackled the thing that couldn't be done. There are thousands to process to failure. There are thousands to point out to you one by one the dangers that wait to assail you. But just buckle right in with a bit of a grin. Just take off your coat and go to it. Just start to sing as you tackle the thing that cannot be done, and you'll do it." (Solomon and Whiting, 1986).

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# EVALUATING A BUSINESS OPPORTUNITY

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## ABSTRACT

The analytical process of evaluating a business opportunity can be simplified by using a six step sequence of decision factors. These factors capture the essence of most venture capital situations, encompassing the divergent viewpoints of the entrepreneur and the investor. When these perspectives converge with a venture based on a competitive advantage, a true "entrepreneurial" business, with ever-increasing financial performance, is produced.

## INTRODUCTION

I am happy to be here at this creativity gathering, because I have always found it a fascinating subject. I think it can be seriously studied apart from entrepreneurship and apart from innovation. And when you get into it deeply you find there is much, much more to the study of creativity than "lateral thinking". If you really follow the subject it leads you down the road to a kind of brain-mind research and how the brain interacts with the mind and vice versa.

Also, the subject of how movement affects thinking and creativity is tremendously fascinating. If you ever wondered why people pace when they think, it's not necessarily nervous energy. It's that movement, moving the body, actually does help you to come up with new thought patterns. That's why you get so stuck sitting at your desk looking at a blank piece of paper sometimes. If you get up and walk around or go outside and walk around the block, you find that so refreshing because you're kind of intuitively coming to the science of kinesthesis.

One of the people that I learned a lot from is a gentleman by the name of Moishe Feldenkrais, who I am sure very few people have ever heard of since he was not a good promoter of his own work. But he studied posture and movement. The name of his most well known book is AWARENESS THROUGH MOVEMENT. He studied how our self image and our creativity is affected by the way we move. He developed exercises to develop mental creativity using movement of the body. If you study further you get to creative visualizations and self-hypnosis. Auto suggestion, which we heard about at lunch, is a less scary way to say self hypnosis, self suggestion.

We've all heard about affirmations. The more I talk to entrepreneurs the more I find that each one of them is aware of and practices some part of these various creativity techniques.

Let me tell you one quick story. I worked at a business magazine for a number of years as a journalist. I had a boss there whose name was Abraham. Abraham was a "transcendental" meditator. He would only hire meditators because he said meditators don't get stressed and meditators have more energy and you can always take a meditator to a 24 hour meeting and send him outside to go meditate for 20 minutes and he comes back with more energy than anybody else. If he had a business problem he would come knock on my office door and say "grab your coat, we're going for a walk". And we would walk for four hours along the river, down the river. We would be talking business problems. And this was his problem solving method. And it led to a lot of very successful new products. It led to a lot of interesting ideas.

One of my creativity techniques is long distance swimming. Let me tell you, if you've tried to swim for a mile or two in the rough ocean you will hallucinate some of the wildest ideas you've ever had.

Anyway, it's fun to be at a creativity symposium and I would just recommend that if you are attracted to the idea of creativity that there are many, many areas to study, other than just how it applies to a business opportunity.

The topic of my workshop is evaluating a business opportunity; is your idea a viable business? It springs from work that I've done throughout my career.

It also came out of my own area of interest which is the relationship of entrepreneurs and investors. My experience of entrepreneurs is that rarely do they have enough money to launch a business on their own. They are always looking for money and if they find it Tuesday, Wednesday they are out looking for the next round of financing. So it is a never ending process. What I find is, when you are needy, that is you need the money in 90 days or you can't go on to the next quarter, that you very rarely take time to stop and consider how this looks to the guy who you're coming to for the money. So, we put a lot of time in studying the relationship between entrepreneurs and investors.

As I say, outside money is basically inevitable. Even if you start a home based business, as soon as it gets bigger than your own kitchen you're going to need an outside investor to go buy all the equipment that you need. So, outside financing is inevitable.

Just before I get into the meat of the presentation let's talk about the difference between an "entrepreneurial attitude" and what I call a "shopkeeper's attitude". And that's the difference of perspective. You've always heard that Great Britain is called "a nation of shopkeepers". But we don't think of the British as entrepreneurs. It is known for shopkeeping. So that's the analogy for a minute.

Now if the objective is to make a living or to run the shop or to hire your son, that's fine, but it's not entrepreneurial. I will use the example of my own grandfather. My grandfather was a butcher and he had a butcher store that was successful. And he was presented with the opportunity to buy a second butcher store near the first one was and he bought it. He decided at that time it would be smart to make one kosher and one non-kosher. So he did that, which was a great stroke of market segmentation. (Of course he didn't think of it that way then but that's in fact what he did.) But then he had the opportunity to purchase a third butcher ship and he wouldn't do it. And the reason he didn't do it was that he would have had to hire a manager. He didn't have a third son so he wouldn't buy a third butcher store. And he couldn't buy all the meat himself for all three butcher stores. And everybody in his family was making a living out of it and that was all he wanted. He ran a very nice business. And I am not putting it down. I am not putting down a local oriented retail business. That is perfectly fine. But that is not the context of which this presentation is going to move. I am talking more in terms of accumulating vast wealth.

Now I am not saying that at the same time that wealth is the motivation to do this. But that wealth can occur because of the scope of the business. The scope of the business I am talking about obviously is a national or international market. A product that can move throughout the country, not one that depends on how far it is to the meat market. That's the difference in attitude.

Presented with an opportunity that's a little off the business plan, or doesn't go where the business plan said the business was going to go, entrepreneurs will say "forget the business plan, this is a great opportunity". Almost without exception, it gives their investors fits. So the reaction to opportunity is a very big part of entrepreneurship. And it's part of the perspective that I am going to use here today.

What I would like to present is a framework for evaluating a business opportunity that is sequential and that is very, very simple. In my role at Arthur Young, and in my role before that with Arthur Lipper, I am sometimes in the position of evaluating other people's business plans for preliminary recommendations for investment. Now I have only launched one very small, not successful business as an entrepreneur. And I often wonder where do I get off thinking that I can make a recommendation for a project that could be a $50 million or $100 million project, or a $5 million project. And the answer was I did not feel very comfortable doing that. So I looked to synthesize material that would provide a framework so that even if people didn't believe me they would have to agree with the logic of the presentation. So that's what I am going to present to you today. The logic of the presentation that came out of that research and experience. In fact, it is a synthesis of what actually happens in professional venture capital situations and investor situations.

This is a series of three questions each of which has to be answered yes before you move onto the next question. So what I am going to do is not write all three questions because the second one doesn't count unless the answer to the first one is yes.

This first question is: Does it pass the reality test? By "reality" I mean is the product real? And is the market real? Let's start with the product. Does the product do what you say it does? Can it be made for what you say it can be made for? Are the raw materials available? Do all the components come together the way you say they can? Can you really produce it for $299 and ship it across country for 16 cents a pound? Is the only source of the one material that you need to make all this work only available in Honduras? (And then one day you wake up and Honduras is not there anymore, it is part of Nicaragua.) If you say you're going to service it for six years or 60,000 miles, can you afford to do that? Do you have the infrastructure?

The second part of answering this question is: Is the market real? And by that I mean can you identify customers? Are there customers out there who really need this thing? Do they have a legitimate need? Can you identify them? Can you quantify them? Entrepreneurs have a tremendous tendency to neglect market research because they think they what it will reveal. They're going into this business because it's an industry they know. After all, they say, :"I was with Union Carbide for 15 years, I should know how to run a chemical business". If it comes to the point where the investor insists that they need market research, they'll go out and do it grudgingly. If they go out and do the market research and the results are something different than they thought, they ignore the results.

There is an excellent series of books called FRONTIERS OF ENTREPRENEURIAL RESEARCH, (FOER) which is published one volume a year by Babson College. That is an anthology of empirical studies conducted by entrepreneurship professors around the country. And it is the best source I have found of empirical research on entrepreneurship. I like things that can be empirically demonstrated.

So, that is what I am saying here about the market. Empirically demonstrate to yourself and to the outside world that the market exists. If you are marketing a product for black women 18 to 34, and you are starting in Ohio, then go out and do your research and look at your census data and find out how many black women 18 to 34 there are. You have to prove to an outsider that the market is real.

If you can answer to yourself and to the satisfaction of an outsider that yes, there is a real market for this and yes, my product serves this market, and I can really produce it for $2.78 and I can really get $6.95 for it, then the answer to the reality test is yes.

The second part of the sequence is the competitive test - can we win? "We" being the entrepreneur, his company, and his investors. And once again, you answer yes only if its component parts are also yes. And by that we mean the component parts are internally and externally. External means: is the competition out there going to allow me to do this? Entrepreneurs are notorious for saying there is no competition for my product and anyway, it's the best one. I don't have to research my competitors because there are none. To which I say, and any sophisticated investor will say, and to which all of you will say by the way you smirked when I said that, is "baloney". There is no product that doesn't have competition for the customer's dollar. There is nothing new under the sun. The competition for the customer's dollar is intense. And a leap to a totally new product or new technology has a big gap between bringing the people up to where you are.

Will the competitors allow you to do this? If you've come up with a new product it has to have some competitive advantage. And what are the competitive advantages? Despite all the publications you read, I will tell you that there are only four competitive advantages in the world. And the new product or the new service that you are about to offer or that you're evaluating before you will invest in it, has to have at least one, probably two, and if it has three it's a lot better. The only external competitive advantages are: quality, quantity, cost and time. There is nothing else to sell. Any product or service has go to have an advantage in quality, quantity, cost and time. And if you can't clarify to yourself and to an outside investor which of those specific advantages is your competitive advantage, then you don't have one.

One of the reasons I think your idea (an audience participant) is so clever is there is a tremendous quality and cost competitive advantage in the venture.

Convenience, saves people time. You can do things probably cheaper for them than they can do it themselves. He's going to win because his product has quality, cost and time advantages.

Quality means of course it doesn't break down. It's a better one. It's built better. It lasts longer. (Hence, the 7 year, 70,000 mile warranty as opposed to a 6 year, 60,000 mile warranty.) Cost, of course we all know the cost advantage. Quantity means you could build more of them quicker. A low cost producer does very well in this country, because it normally leads to great market share which leads to greater profitability. And time means you can deliver it quicker. You can make it sooner.

So, if you have one of those advantages, and it will succeed against the competitive threat, then you have a very good chance of success. What I mean by a threat is: if IBM decides to cut its price 20%, is that going to knock you out? IBM loves to do that. Then, the next factor is internal. What I mean is: can we win internally? Do you have the internal marketing resource, I say marketing because I am a marketing person, but do you have all the resources that you need internally to make this go? By that I mean, do you have the capital? Do you have a CFO? Do you have a director of manufacturing? Do you have somebody who knows the steel business? If not, go get one. Because if you don't have the internal ability to win, you're going to lose. It's as simple as that.

One study in this FRONTIERS OF ENTREPRENEURIAL RESEARCH looked at causes of failure after capitalization. Obviously capitalization is not a problem. One of the biggest reasons according to this study was inadequate or ignored market research, a mis-assumed market.

The second most frequent reason for failure after capitalization was an incompetent or inadequate or incomplete management team. This is based on empirical research, so I feel confident to say that's probably true. And so you've got to have all your people together.

I am going to come back to that in a minute. There's another very good book called, BUSINESS PLANS THAT WIN DOLLARS, by Stanley Rich and David Gumpert. Gumpert is an editor of the HARVARD BUSINESS REVIEW and Rich is a consultant, and one of the gentlemen who founded the MIT Enterprise Forum. They wrote a very good book called BUSINESS PLANS THAT WIN DOLLARS. And they present what I think they call "the road of fundability". I am not stealing this from them, I am citing them as the source. You can read the book and you'll find this much better explained than I am explaining it. It relates back to the three questions I've talked about. Along this axis (the Y axis) is the management team. So the first position, what they call a one position, is a one-man-band--an entrepreneur who has his business plan on the back of a napkin and a good idea. He doesn't have a management team. He doesn't have a business plan. He doesn't have a working prototype. But he has a good idea. So he's a one. Then it moves along this way to four which is a complete, adequate, full blown, everybody is in place ready to go launch this business management team. And in between there are intermediate steps. Two is a position identified but open -- that is the people to fill them have not been identified. And three is where you see a lot of prospectuses that say we have identified this guy to be director of manufacturing. As soon as we get funded he's agreed to come. That's a three. And a four is you've got the guy. And over here on the X axis is the same thing for a market.

So this is management and this is product. Okay, a four means you've got a working prototype. Everybody loves it. There's a proven market. Everybody knows that we all need an AIDS blood testing kit. The market is identified. Everybody knows and agrees that there is a market and you have a thing that's been used in 10 hospitals and they all love it. That's a four. And what you're raising money for is to roll it out nationally.

A one is, I've built something, it's in my basement, no one has ever used it. And the market is kind of assumed and rough and I haven't done all my market research. And the intermediate steps are, here you have some better research and a few customers who have actually tried it. And here you have substantial purchase orders, a real interest in it.

And you can see how this makes a matrix. And you can put your business opportunity, or where you are with your current business or your investment opportunity in one of these boxes. And so obviously a business that's here (1,1) is not as fundable as a business that's here (4,4).

If a customer, says "gee, I like this, I would buy one if you had some", "gee, I tried the XYZ 32 on your site and my company is in the market for 10 of these and if it rolls out before June of '89 we would love to be considered as one of your first customers". That doesn't obligate anybody to anything. But what it does is demonstrate the viability of the business. It demonstrates that you're moving along this axis to getting the product out to customers.

Now going back over here, if you're a 4 or a 3 1/2, then I say you're a yes for internal management resources. And that makes you a yes, we can win. think through what I mean by that. It means that your product has enough margin in it so that if a competitor reduces his price you're still going to survive, that you've got the cash flow. That you're not going to be cutting so close to the margin that the more you sell the more you lose. Then you can go on to the third question. And the third question is the value test.

I'll just stop here and ask: do you can see how any one "no" disqualifies the investment right away?

Why? Because there are so many opportunities out there. The third step in the sequence is: It is worth it? The two areas to look at here are: Is it worth it to the entrepreneur? And is it worth it to the outside investor?

Now that brings us to a very interesting financial question and that is: is the investor an angel, an informal nonprofessional investor? You all know what angels are, I am sure. The other one is the professional venture capitalist. So we have to look at these two things a little differently because an angel requires much less information and performs less rigorous due diligence and answers much more quickly. And you know, the entrepreneur will get a better deal from an angel. So we have to focus right at this question before we answer this test.

The question "is it worth it?" to the entrepreneur almost always is yes. By that I mean if the entrepreneur is the driving creative force behind this business opportunity he has convinced himself that it is a yes, that is worth for him. And it is easy for him to reach a yes because he is normally putting very little money into the deal compared to the angle or the professional investor. He feels like he is taking control of his destiny. He is getting away from his boss who is a jerk and won't let him do what he wants. Or, he's just been laid off by Union Carbide. He knows the chemical industry, and so this way he is never going to get laid off again. So to him it is always yes. There are psychic rewards to him. There's a lot of intangible things that make him say yes. But for the investor there is a very, very different perspective.

Let's contrast the entrepreneur and the investor along three parameters that will help us answer that question.

To an entrepreneur the risk of this venture is low. Why is that? Because entrepreneurs are confident. They are optimistic. They are enthusiastic. They are promoting their business. I am going into the chemical business, Mr. Investor, because I had 15 years with Union Carbide. Of course I can make it a success. I know the chemical business. I know the suppliers. I know the customers. I can make this work. I am confident in my own ability. Now there's no investor who won't invest in an entrepreneur unless the entrepreneur is that enthusiastic. On the other hand, entrepreneurs are always enthusiastic. So, the entrepreneur, when he looks at the venture he sees low risk. Of course the contrast is the investor knows that new ventures frequently fail, that there are thousands of reasons for this business to fail. And that this business, no matter how enthusiastic the entrepreneur is, probably will not make all its projections. I am not saying it will fail. But it will certainly fail to make all the financial projections that the entrepreneur is making for it.

Going back to the FRONTIERS OF ENTREPRENEURIAL RESEARCH, a professor surveyed the professional venture capital community in the Chicago area and asked, after you have funded a venture, five years later compared to the business plan, what is the discrepancy between the actual sales and the company projected sales? In three-quarters of the cases, it was 300% off. That is, sales were projected to be 300% higher than what they actually were five years later. Do you see there's a tremendous difference in attitude when these two guys come to the table to negotiate for money?

The second factor is profitability. The entrepreneurs view of profitability is based on a very low denominator. That is, he has tremendous psychic rewards that are "worth" a great deal to him The research always unequivocally says, entrepreneurs make less when they start out. They work harder. They work longer than they did when they were someone's employee. So they are sacrificing lifestyles and current income for something else. And what is it that they are sacrificing for? Psychic return. That is: I am in control of my destiny. I am proud of myself for my accomplishments. Whereas before I was disappointed in myself because my boss always came down on me and I always came home and kicked the dog. Now, I am in control.

Investors couldn't care less about the entrepreneur's psychic rewards. They are interested in earnings. Why? Because they have an equity position in this company. And the only reason that you acquire an equity position in a new venture is to sell it. The only reason anybody buys stock on the stock market is to sell it at a higher price than it was bought for. So, the investor, when he looks at profitability, needs to see earnings ever-increasing, step-wise, over five years. Why? Because when he buys at $3 a share he is intending to sell at $15 a share. So his view of profitability is pushing the entrepreneur to minimize expenses, get the product to the market as quickly as he can so that the net operating profit is always increasing. That is a very different attitude than the entrepreneur has.

You are the entrepreneur of a growing business. You have $5 million in retained earnings. Do you want to show that as profit or do you want to put that back into the company as R&D expenses, product development expenses, marketing expenses, increasing your sales force?

If you are the entrepreneur you want to put the money back into the business because you are growing the business. Whereas the investor is saying show profits on the balance sheet because that's how I am going to exit. That is how I am going to get out of this deal, is by bringing it to the next dentist and saying, look, I bought this company at $3 a share when it had no earnings. Now its got $2 million, how about paying me $15 a share? So there is a very different perspective here.

The third parameter to look at is return on investment. What has the entrepreneur put into the deal? In terms of cash, very little it mostly has been sweat equity. He's sweated, he's put hours in. He's put in a lot of time, a lot of anxiety, a lot of trying to meet payroll. But basically in terms of an ROI calculation, the entrepreneur has a much smaller denominator than does the investor. The investor has put in hard-earned, after-tax bucks. The entrepreneur has put in a lot of sweat equity and maybe $60,000 from mortgaging his house. So he's at risk, but he has a much smaller denominator. His return on investment is basically looked at as the return on all the hours and the time that he has put in.

Needless to say, the investor doesn't care about the entrepreneur's sweat equity. He is interested in ever-increasing earnings. And every day he picks up THE WALL STREET JOURNAL and he sees that there is, with the same maturity as his exit formula, an investment paying currently paying 10.8%. So his return on investment has a floor of 10.8%. That is, if he makes 11% he made 2/10ths. He has an alternative use of the asset which would allow him to sleep like a baby. "My T-bill's going to roll over today and the rates went up". He has a floor to his ROI calculation which is some amount greater than the risk free rate.

These are the two perspectives that have to try to come together when we say, when we try to answer that third question, is it worth it? Now how do we do that? If we're the entrepreneur, how do we do it? How do we approach the investor to mitigate this? If we're the investor how can we communicate with the entrepreneur to, to let him know that we see, we understand it?

If you're the entrepreneur, you're building a business plan, you're going to go out and try to sell it. If you're the investor evaluating this business opportunity, what do you do? The first thing you do is you look for a realistic assessment of risk. You need the entrepreneur not to say there's no risk for this product, no one has ever thought of slicing the bread before they sell it. What the entrepreneur needs to do to raise the comfort level of the investor is to say "here are the most likely causes of failure for this venture. Here's ten of them that I have thought of. And I have built into my business plan and into the thinking for this venture, steps to mitigate these risks". And it's up to the investor to be a very good prober and to say "gee, what makes you think you can identify a director of quality control who knows all about gene splicing and is available for $12,000? I happen to know that gene splicing engineers get $80,000. What makes you think you can hire one for 12?" So you've got to talk about this and you've got to address the risks realistically. If you are the entrepreneur, you've got to address the risks realistically. If you are the entrepreneur, you do yourself no good by minimizing the risks of your venture. Identify the risks in the business communication with investors and have a plan for mitigating it.

How to bring their perspectives together when it comes to profitability given this difference in perspective, is to increase -- now this is a little strange here but this is where we get creative, this is to increase the psychic rewards for the investor. That's what you're getting, it's what you're getting immediately. You want to increase the psychic rewards of the investor. How do you do that?

I'll give you an example. Our keynote speaker tomorrow is Arthur Lipper, from whom I have learned a great deal. Arthur invested in a ski area. Thousands and thousands of people go every weekend because it's the nearest area to Philadelphia. The lift line is longer than the hill. But Arthur invested and the owner is a very clever entrepreneur. Next to the ski area is the Inn. The Inn has meeting rooms. And the entrepreneur has named one of these meetings rooms the Lipper Room. And every time Mr. Lipper comes to the Inn to check on his investment, he walks past a room that says the Lipper Room. And by the time he gets to the entrepreneur he doesn't say "Well, Charles, how come you blew the third quarter financial?" He says "what a nice meeting room you have here". That entrepreneur did what he could to increase the psychic rewards for the investor. He can't promise him that it's going to snow like crazy this season. So he's looked for other ways to increase the investor's comfort.

There are other ways for you to do that. Certificates of appreciation are not what's needed because the investor knows you're just spending this money to give him the certificate. But it doesn't cost you anything to name a room. It doesn't cost you anything when you are driving up to the investor's house to discuss the last six months financials, not to show up in a Mercedes. Show up in a Ford Escort, because then you're demonstrating in a subtle way that you know how to "husband" the funds.

How do we increase the investor's comfort level that we're going to achieve his return on investment and he's going to make his goal? The answer is the exit formula. You want to have in place well understood by the investor how he is going to get his money back, what is the exit formula. Most of the business plans I have seen failed to mention the three most important points that every investor wants to know. There are three things that every investor wants to see at the beginning of the whole discussion is -- and this is so simple I am almost embarrassed to say it. How much money is it going to take to start this venture? This plan seeks to raise $800 million to launch a space shuttle.

The second is -- what are you going to spend the money on? Sources and uses. And be very careful if you're the investor to analyze this very, very closely. Let me tell you a common thing that occurs when I am asked to evaluate a business plan. It gets to the uses of the funds statement and there are the funds laid out. We're raising $3,000,000 in this financing, and the uses are salaries, marketing, product development, 40% general miscellaneous administrative expenses -- 40%. You all have seen these kind of things when you look at a prospectus. I don't want to see that. If the miscellaneous contingency overhead administrative expenses is more than 10% of the money being raised I am automatically very suspicious about this plan. And I start probing. Why? Because I want revenue in the door. I am in the investors perspective. I want revenue in the door. I want to see those funds being spent on marketing, marketing, marketing, marketing, marketing, and sales.

The third is: how returned, or how repaid. And this is what I am referring to as the exit formula. The way to increase the investor's comfort that he is going to make a substantial premium over the risk free rate is by getting him to understand right from the beginning how it is you're proposing that he will exit. It is very unlikely that he will exit the way you say he will in the plan. You've demonstrated to that investor, professional or unprofessional, that you thought that far ahead. And that you've done your projections and that five years out the company will be worth $15 per share, so his 1/3rd stake in it will be worth $5 per share. And that at that point if you go public, comparable evaluations are 8 times earnings. And therefore, if the earnings are $2 per share that means the valuation is 16 and he's got a third, so it all works out. But what you have to do is show him from the beginning that while you're working for sweat equity, he is going to get a substantial return over the risk free rate.

So, if you have increased the investor's comfort level on these three parameters (risk, profitability and return on investment) then he will probably answer this for himself. And if you've increased his level of comfort, he will say yes. You have three yeses in each one of those major steps you'll probably have a good business opportunity. You've considered the internal. Your product really works. The probability of failure of this venture is much less just by going through these analytical steps.

Now, this is not the way a business plan is organized. For those of you who have gone out to shop deals know that this is not the way venture capitalists want to see it laid out. But in fact they're going to make their decision on the answer to six questions. And the six questions are: how much money does the guy want? what's it for? how do I get it back? And if he's answered those three questions to his own satisfaction, then he goes into these last three tests: the reality test, the competitive test and the value test.

Technology-based ventures have a whole different perspective where you really have to get deeply into the "is it real" question. If you were a Federal Express nowadays I would be very worried about FAX machines. With technology ventures you really need a very, very deep understanding of how long this technology is going to be around. I mean those of you who have computers with two floppy disks in them, I know you're already starting to look at the fact that maybe I should have had a hard disk. Right? So you've really got to look at technology based ventures very, very deeply. And this kind of cursory analysis that is designed for an hour and a half presentation won't do it for you. But you still have to come to the question, will this product work?

When it comes to answering those six questions, there are sometimes factors which override rational decision making. In my family it's red. My wife likes red. Anything we buy, we buy the red one. It's an overriding factor. And in a lot of cases of venture capital there is a hidden unknown, overriding factor that you as the entrepreneur when you approach them will not know, and they will never tell you until they've funded it. What are some of those factors? One of them is synergy with an investment already in their portfolio. Another is proprietary technology that can be applied to your business from another entrepreneur in a non-profit situation, such as a university.

Thank you very much for your interest. Please feel free to contact me at Arthur Young's National Marketing Office in New York if you'd like more information.

# THE ENTREPRENEURIAL ENDEAVOR: TAKING THE EXAM BEFORE YOU'VE TAKEN THE COURSE

BY ARAX M. KALAJIAN

## ABSTRACT

This paper describes the experience of founding and running a small company that grows from two to forty people over a period of a few years. It focuses on managing rapid growth and change, and on the impact of success on the factors that motivated its founders. The paper closes with a discussion of myths about both business and management.

## INTRODUCTION

The entrepreneurial endeavor is driven first by dreams, and finally by numbers. The successful entrepreneur is a person who is aware that the unlimited dream will slowly be described by the limits imposed by success. My story is the story of my partner and me, from the time we worked separately, through our founding and running a successful software company.

### The Dream

Several years ago, my current partner and I worked as independent consultants to automate different sections of the same office in a large federal agency. We found that we worked well together and trusted one another, and that we accomplished more together than separately. That agency made a strategic decision to augment its centralized computer services with minicomputers, and we were asked to move several software applications from the central system to the minicomputers. This task was virtually impossible, since the database management software necessary to duplicate the central system's functions was not available on the minicomputers. We decided to undertake the effort to write that software, recognizing that there was both a need and a marketplace.

We approached this opportunity with different but compatible dreams: my partner wanted to design and implement database management software (develop a product), and I wanted to have a consulting company (help pay to develop it.) Even before we formed a single company, we hired four people whose salaries we shared. Two of them worked on applications contracts, and two of them worked on the database system. My partner and I paid all of our salaries and expenses with much of our own savings, and with the money we were able to make on the contracts. We believed so much in the sure success of what we were doing (and we were having so much fun) that we never worried about the investment.

We kept personnel costs low by hiring people who were just out of college, working at their first jobs; we kept development costs low by exchanging a copy of the software we would develop in return for time and space on a minicomputer. We developed the system in secret: only the two software engineers, the minicomputer owner, and my partner and I were aware of what we were developing. That secrecy helped build our excitement, and kept at bay any external expectations or demands, which might diffuse our focus. More importantly, perhaps, the secrecy saved us from those who would advise that building a DBMS on a low budget was impossible.

The early days were exciting. I'll never forget going into the computer room to watch the tests of the new system: early searches were slow, and my partner would modify the design. More tests were run, and successful searches began to take fifteen seconds, then ten seconds, five seconds, and finally two seconds. The system was finally complete; we prepared documentation and formed a corporation together. We implemented a budget application using the DBMS, and announced it at the annual international conference held by the minicomputer company. The company and its revenues (and expenses) had begun to grow.

## The Numbers

We moved from a small office to a suite, recognizing that if we were to sell an expensive software product we had to have the image of a stable, "going" concern. Contracts for applications development increased with sales. Our staff more than doubled to fifteen during the first year, and steadily increased in the following years. And with our increase in size came a steady increase in complexity.

As our staff grew, each of the many roles my partner and I played had become full time jobs, and had to be delegated. The company of six that could all ride in the same car together became an organization made up of people in Management, Research and Development, Applications, Marketing, and Administration. In short, it became an organization that required technique to run, a successful organization that brought us all the complications of departments, structure, paperwork, lawyers, accountants, inter-office memos, and finally, a policy and procedures manual - all of the things the typical entrepreneur tries to get away from in the first place.

This is typically when many entrepreneurs reflect on their experience and consider making some changes. Some entrepreneurs sell their companies and start new ones; others hire a good general manager to handle the bureaucracy that has been created in the once lean company. Others continue to run the companies themselves, acting as both entrepreneur and administrator; the rare ones may actually succeed.

As we approached forty employees, we took two major steps: we acquired venture funding to expand our marketing, and we hired someone to run the company, so we could get back to doing what we did best - motivating our people, and coming up with new ideas.

### Reflections

Entrepreneurs are constantly faced with I call "taking the final exam before you've taken the course", and often we learn more from the tests we fail than from those we pass. There are very few obvious guidelines for decisions that must be made, so decisions about situations that are encountered for the first time (a constant occurrence) are often made intuitively, or according to conventional wisdom. As a result, there is a tendency to make mistakes, and mistakes are usually expensive. Entrepreneurs have to be daring enough to make decisions when all the facts are not in (they never are), and strong enough to admit and accept their mistakes, and to go on making decisions in spite of them.

To the new entrepreneur, I would say that there will be a lot of lonely times (people that build their own companies tend to be a lonely group) and a lot of exciting times, neither of which provides for an easy grasp on reality. And the stress and change is relentless. Stay close to your family, and take vitamins.

## MYTHS THAT CONSTRAIN ENTREPRENEURS

During my experience as an entrepreneur, I have learned that many myths masquerade as conventional wisdom. What follows are some of those myths.

Myth: There is a given technique to being an entrepreneur.

The creativity required to pursue a good idea on a limited budget cannot be constrained by technique, because technique kills synergy, and creativity requires it.

Myth: Delegation of authority must be accompanied with complete disengagement by the delegator.

Staff inexperience is a common problem for start-up entrepreneurs, since they cannot usually afford to hire experienced people. Delegation of authority to the inexperienced is undermined by the difficulty of the entrepreneur to trust others to do a job as well as he (or she) would. Delegation of authority, then, must be accompanied by tempering our expectations of others, and continuing to advise and communicate with them as they grow in their new positions.

Myth: Those to whom we delegate authority will keep us apprised of their difficulties

Middle managers tend to shield top management from their problems (perhaps thinking that if they're not solving all the problems, they're not doing their jobs), and those problems tend to grow into crises before top management becomes aware of them.

Myth: Clients will tell you when they are dissatisfied.

The bureaucratic client - that is, the client who does not have to worry about a "bottom line" - often will not not tell you about his dissatisfaction, perhaps because he does not want to be confrontational, or because he would just as soon you did not succeed. (Your success may alter the bureaucrat's power structure.)

Myth: Employees (particularly young employees) would prefer to have as little structure in the organization as possible.

This disdain for structure exists for the entrepreneurs, but usually not for those they hire, particularly after the organization gets too big to fit in one car. More trouble arises from not establishing limits and guidelines, then from establishing them.

Myth: Small entrepreneurial companies should socialize together to keep up their company spirit.

Entrepreneurs find it impossible to deal with the productivity problems of employees with whom they socialize.

Myth: People will buy your product just because it is the best one.

People purchase software products from small companies because of ingenious marketing and advertising, because they expect superior service, and because their products are cheaper. Many of the rich features that are so expensive and time-consuming to develop are too complex for the average buyer to understand or put to use.

Myth: Entrepreneurs are not dominated by anyone.

We are dominated by what we control, because we are responsible for it.

Myth: Entrepreneurs are risk takers.

This is true only in a limited sense: Entrepreneurs would rather take a risk on themselves than take a risk on someone else. Rather than calling them risk takers, which most people do, I would call them self-confident dreamers.

Myth: Everyone would be happy being an entrepreneur.

If you've never burned with the desire to be an expert in something, if you are not a workaholic, if you cannot cope with sleep disturbances, if you do not enjoy stiff competition, if you're not prone to strongly advocate a cause, you are not likely to be happy as an entrepreneur.

# THE OHIO VENTURES IN BUSINESS OWNERSHIP PROJECT

M. CATHERINE ASHMORE

## ABSTRACT

To enable single parents and homemakers to become self-employed as a viable choice for those who must work was the purpose of this pilot project. The Ohio Department of Education, Division of Vocational and Career Education sponsored the program in six different sites. Existing materials developed by the National Center for Research in Vocational Education were adapted by the local women business owners chosen as instructors at each site. Initial evaluations from the first year have encouraged the state to fund the program for a second year.

## INTRODUCTION

Starting your own small business is a dream that can become a reality for anyone in the United States. But a great number of people do not know how to get past the dream.

Ventures in Business Ownership (VBO) is a program to help single parents and homemakers become self-employed. It is sponsored by the Ohio Division of Vocational and Career Education in the belief that there are a number of people in this particular target group who need help in making business ownership dreams come true. This audience is specially in need of assistance in finding employment that can be adjusted to their home responsibilities. And they are often among the lowest paid workers because of their lack of career experience. This pilot program seeks to discover whether a reasonable number of single parents and homemakers can become more independent and financially secure by starting a business. And further, it is assumed that others who do not start a business may learn more about the economy of the community and their employment options.

## ADVISORY COMMITTEE

The program was designed by a state-level advisory committee with representatives from the SBA, the Ohio Department of Development, Ohio Extension, local adult education programs and state staff. The advisory committee chose to adapt a training model developed by the National Center for Research in Vocational Education at The Ohio State University. It had primarily been used for assisting displaced workers in Ohio, Nebraska, Missouri, and Louisiana. All that was required was to address the special needs of single parents and homemakers, primarily women who had very little business experience. These needs included special emphasis on building self-esteem, addressing home-based problems that interfered with self-employment, and connecting potential entrepreneurs to local networks of business owners and assistance providers.

## PURPOSE

The VBO program adopted the following four goals and supportive objectives as a definition of its purpose as part of an entire adult education program. It should be noted that a school could not apply for a VBO program unless it already had been designated by the state as a full-service adult center. Further, it also must have a full-time small business management program for continuing assistance to VBO graduates and serve other audiences with business assistance. Thus these goals show how VBO is an integral part of such a full-service center (figure 1).

## STATE GUIDELINES

Ohio vocational schools were asked to respond to an RFP (Request for Proposal) in June, 1987, for the program to start in August, 1987. The RFP asked each school to describe the need for the program based on local economic data and relationship to existing school and community programs.

Each school was to state its criteria for selection of participants based on standard methods of establishing "greatest financial need." The RFP clearly defined eligibility of participants as follows:

> "Participants are to be single parents and homemakers as defined in the Carl D. Perkins Act.
>
> Priority is placed on (a) serving single parents and homemakers with greatest financial need, and (b) serving displaced homemakers who, because of divorce, separation, death, or disability of a spouse, or loss of public assistance must prepare for paid employment."

There is no tuition charge for those who qualify. Others may participate if space permits at a regular school tuition rate. All participants pay a $15 admission fee. Class sizes vary with a minimum of 12 and a maximum of 30 participants. The site must agree to establish a local coordination council (advisory committee) for the purpose of guidance and direction. The committee should possess the capacity to assess community needs, assist the instructor, and evaluate the program. Members included the adult program supervisor, small business management instructor, single parent/homemaker coordinator, a representative student, and a representative female business owner. Other potential network representatives were suggested such as the chamber of commerce, small business enterprise center staff, SBA, county

FIGURE 1

## Primary Goals and Objectives
## Ventures in Ownership

Institutional Goal: Help the Adult Vocational Centers increase their capacity for small business development

Objectives:
- To strengthen linkages between school and community
- To enhance the Centers' capacity to serve small business
- To focus Center concerns on provision of special opportunities for single parents and homemakers

Educational Goal: Help participants and faculty develop confidence and competence in their abilities to create small businesses

Objectives:
- To broaden the educational opportunities available
- To focus on the particular needs of very smallbusiness startups
- To enhance the understanding of business among groups with minimal background in business

Economic Goal: Help create good new local jobs via untapped opportunities in the local economy

Objectives:
- To stimulate positive attitudes about the local economy
- To encourage creative leveraging of resources
- To provide "jobs" that are compatible with home responsibilities

Individual Goal: Help foster a sense of empowerment and an improved capacity to be a successful, productive community member whether or not the participant actually starts a small business

Objectives:
- To develop positive attitudes toward oneself, community, and the economy
- To develop long-term goals for those who decide not to start a business now
- To enable those with little or no work experience to better understand potential employers

extension agent, and banks. Meetings were to be held throughout the year as need arose from the program.

The instructor for the program was to be hired on a half-time basis. The person should have certain personal and professional strengths that include:

- very good organizational skills
- ability to deal with a flexible program
- good oral and written communication skills
- ability to serve as a role model
- ability to relate to the targeted population to be served
- minimum of two years recent employment experience managing or owning a small business
- familiarity with community resources and support groups
- eligibility to receive a one-year Adult Vocational Education Certificate
- ability to help participants identify innovative business possibilities and develop realistic plans

The program was to provide the instructor adequate office services, provide special services for those in need of child care or transportation, work cooperatively with other school programs, and follow guidelines set out for program operation in all pilot sites.

## FIRST YEAR SITES

Six local school systems were chosen to test the program in the first pilot year. Five were in relatively small towns or rural areas and one was an inner-city center. The strength of the program, and its diversity, was largely due to the excellent instructors hired at each site from the business community. These instructors, in cooperation with their adult program supervisors and the small business management instructors, developed strong and unique programs in their first pilot year.

### Akron Public Schools Adult Vocational Services
Akron, Ohio

Coordinator: Suzanne B. Owen, Adult Services Coordinator
SBM Instructors: Charles Wade & Charles Smith
VBO Instructor: Barbara White

The loss of high-paying manufacturing jobs is an economic fact of life that has directly touched more than 10,000 households in Akron, Ohio, since the late 1960's. Each one of these job losses has indirectly affected the lives of thousands of others. It has taken many years for the reality that these jobs will never return to this area to sink in. As a result of this loss of jobs, many persons who never considered employment have found themselves in the situation of having to provide support for themselves and their families (both children and spouses). Furthermore, there are approximately 11,000 ADC single-parent families receiving benefits in Summit County. In numerous instances the adult recipients have worked in the past and are finding themselves on ADC for the first time in their lives. These people realize that they need training to help make them self-sufficient and self-supporting members of society again.

Recognizing that small business would revive the area, the Akron Regional Development Board (Chamber of Commerce) established Akron Plus--a special project geared toward developing 26,000 jobs in the Akron area by 1990. One of the major focuses of Akron Plus is the fostering of an entrepreneurial environment for growth in the area of small business--the future of Akron. Participation in this project would allow 30 of these individuals, male or female, the only opportunity they may ever have to explore their potential as future owners and operators of small businesses.

The obvious barrier facing most single parents, homemakers, or displaced homemakers is lack of money to provide for the necessities of life for themselves and their children. Emotional, social, and behavioral barriers may be less obvious, but in many cases present the types of problems that keep these individuals from succeeding in the traditional work environment. By providing a training opportunity and support services that would give these persons the opportunity to explore the feasibility of self-employment, by providing help in setting up a business, and subsequently by allowing for enrollment in a continuing Small Business Management program, they would be providing a vehicle that would allow these individuals a chance to become self-sufficient and financially independent.

Adult Vocational Services, a division of Akron public Schools, is one of the largest operators of full time adult vocational training programs in northeast Ohio. The program receives funding on a tuition basis primarily from the Private Industry Council and Title XX; and to a lesser extent from SPH grants, BVT, TRA, and other agencies.

The two Small Business Management instructors employed by Adult Vocational Services maintain an office at the Small Business Development Center, where the Small Business management program concept is an integral part of the day-to-day operation of the Center.

The local PIC Director, recognized that this program will be serving a population that is much in need of services but that is often neglected in traditional training.

During the 1986-87 school year, Adult Vocational Services provided services to 136 area companies and organizations through apprenticeship and upgrading trading programs. Two full-time placement specialists are in daily contact with the business community; a Diversified Industrial Training Coordinator, who works through the Ohio Industrial Training Program Consortium, teachers programs at various business and industries; and administrators with AVS serve on many apprenticeship committees and other community projects.

Barb White had an excellent background to teach the program. She had, at one time, been an English teacher. Currently she has her own photography business and serves as president of the Cuyahoga Falls Chamber of Commerce.

Belmont-Harrison Career Center
St. Clairsville, Ohio

Coordinator: Nelson McCann, Adult Director
SBM Instructor: Bob West
VBO Instructor: Judi Nemeti

Belmont and Harrison Counties are essentially rural areas with numerous small cities and villages. In May 1987, the labor force of Belmont County was estimated at 32,200 of whom 3,600 were unemployed. The unemployment rate was 11.2 percent. The December 1986, figures for Harrison County show the size of the labor force as 4,900. Of these 4,100 were employed giving a 16.3 percent unemployment rate. The unemployment rate is down from 1985 because people continue to leave the county--the population is down 9 percent since the 1980 census. In both counties, mining and manufacturing are declining industries. Jobs left are in sectors paying less than average weekly earnings (Labor Market Information from OBES).

Given this description of employment changes in these two counties, the need for training and retraining opportunities for women becomes clear. Families need two incomes to survive and many homemakers do not have the skills or work history to seek employment which will cover the costs of child care and transportation and still provide some money for income. Home-based business will allow homemakers to work out of their homes reducing child care and transportation costs. For example, Woods & Poole Economics, Inc., a national research firm projects that the number of services in Belmont and Harrison Counties will increase three-fold between now and the year 2005. Most small businesses are service businesses.

In addition to the economic facts stated above, census data shows the Belmont-Harrison population to have below average levels of education. In Belmont County only 62.7 percent of the population over 25 years old are high school graduates.

In Harrison County the comparable percentage was 60.5 percent and half of the remainder had not completed eighth grade. The state average for high school completion is 67 percent. The state average for percentage of the population aged 25 years and older with four years of college is 13.7 percent. For Belmont County 7.5 percent of the population has four years of college and for Harrison County the percentage is 5.5 percent.

As people compete for a limited number of jobs, not only are they economically disadvantaged, but they do not have the confidence and skills which a VBO Program brings. Many of the women in this area also have little or no significant paid work history. Thus the VBO grant is very necessary because it offers an opportunity to provide single parents and homemakers with the training they need to become small business owners. Just as important, they can develop confidence in themselves.

The VBO Project will help by allowing women who otherwise could not afford it, a chance to prepare for a career. Additionally, women are helped to set goals for themselves. Beginning with the initial interview prospective participants are given support as they think about small business ownership. The "Beyond a Dream" program helps individuals look objectively at their interests, needs, talents, education, and goals to determine the desire and feasibility of establishing a home-based small business in a specific community. The Business Start-Up Program will take the business plan developed in "Beyond a Dream" and use it to seek resources to open a home-based small business or assume ownership of an existing business.

Assessment will be provided through the assessment facility on site. Referrals will be made as needed to the Adult Education unit. The ABE teacher will help participants who need math or reading brush up on those skills. Participants needing confidence-building can be referred to the appropriate modules of the Displaced Homemaker course which is given several times a year.

The Belmont-Harrison Vocational School District already has close ties to the local JTPA programs in two counties, should a participant elect to pursue vocational training. The VSD also receives SPH Occupational Training Funds which could be made available to eligible participants for needed training. Through the VBO Advisory Committee the school has links to local agencies serving single parents and homemakers such as Women's Tri-County Help Center and Community Mental Health Services.

Links already established through the Small Business Management program with the Department of Development, local chambers of commerce, and existing small business owners will assist VBO participants in developing their own business.

Judi Nemeti is highly qualified to teach the program because she and her husband, between them, have started eight businesses. She currently runs her own beauty salon in St. Clairsville.

Columbiana County JVS
Lisbon, Ohio

Coordinator: Charlotte Guest, Adult Director
SBM Instructor: Pat Zehentbauer
VBO Instructor: Janet Cameron

Columbiana County is a rural area with high unemployment and a changing industrial and economic base. Faced with the loss of steel, machine, auto manufacturing and mining jobs, the area has increasingly seen workers forced to accept part-time, minimum wage jobs in the food and discount retail industry. With traditional family and sex-role values, women have not been well-prepared for the role they have had to assume in supporting themselves and their families. Most women in the county are employed in the traditional clerical and service positions, which traditionally offer minimum wage scales. The placement rates for women trained through the Columbiana County Joint Vocational School are much higher than the rates for men. It has been observed by the staff working with adult students, that women in the area are determined to succeed, highly motivated and willing to work hard at whatever they may find.

Small business development is seen as one of the most viable alternatives to economic growth in this area. Numerous efforts by chambers of commerce, County Commissioners and community groups have been made to establish industrial parks, special funding for new business ventures and other means of assisting in the formation of new business developments. One of the most promising of these efforts is the establishment of the Columbiana County Small Business Incubator. First conceived in late 1985 by a group of private and public sector people working together, it is now a functioning facility with a full-time manager, nine businesses housed in it, and an active group of bankers, business people and public officials working with entrepreneurs to build success. The Adult Education Department has been very active in this effort since its inception, with the Adult Education Director serving as Vice-Chair of the Controlling Board and the Small Business Management Coordinator involved in training efforts with the Incubator.

In discussing this proposal with advisory committee members the consensus indicated that:

1. The Incubator manager is receiving daily requests for help, information and training from people who think they want to start a business but have no realistic idea of what is involved or how to determine if they have any chance of success in their effort. She indicated that this proposed program would fill a significant need in that she has nowhere to refer people and does not have the time to conduct this type of training herself.

2. The Economic Development director in the county coordinates the revolving loan fund and other sources of financial aid available to struggling business ventures. He says that he receives numerous requests for funding from individuals who have no basic understanding of running a business or the steps necessary to begin one. He also would see the proposed program as an ideal referral source.

3. The President of Firestone Bank works with the Incubator as chairman of the Selection Board. He sees, in both roles, people who are thinking about going into business, but who do not understand the basic steps necessary to establish and run a successful venture. Many of these people, he indicates, have a basic idea and motivation, but lack the educational training and self-confidence necessary for a bank to loan them money. He also would like to see the proposed program become a part of the linkage in the county.

4. Pat Zehentbauer, Coordinator of our Small Business Management Program, expressed excitement about this proposal, saying that it would meet a real need, as she sees it, and would coordinate in a most appropriate way with the Small Business Management program.

5. All of the advisory committee members contacted said that about 70 percent of the people they talk to, who want to go into business for themselves, are women. They cited the lack of self-confidence and training for business found in these women, as well as the basic ability to succeed if only they had the initial help. The Community Action Agency described the need for such a program in providing the missing link in the efforts currently happening to promote Small Business. They also indicated that they would work with the program in providing transportation, if needed.

6. Advisory members felt that direct funding for transportation and/or child care is probably not required for this project. The Adult Education staff agreed with this. Currently Title XX child care is available through cooperation with the Columbiana County Department of Human Resources. The Community Action Agency runs a rural transportation system which would be available to program

participants. The vast majority of participants would own and operate their own vehicles.

Janet Cameron, the VBO instructor, has been self-employed for most of her career. In addition to a number of real estate ventures, Janet owns and manages a lawn and garden store in the area. She brings excellent experience and networks to the program.

Greene Vocational School
Xenia, Ohio

Coordinator: Thurman Lee
SBM Instructor: Thurman Lee
VBO Instructor: Laurie Brohard

Greene Vocational School has an active and effective relationship with Greene County agencies serving the unemployed, underemployed, handicapped, economically and academically disadvantaged population in Greene County. Such agencies include: JTPA, BVR, Veterans Administration, Human Services, County Extension Office, OBES, and Mental Health Department.

Individuals served by these agencies must fall under their strict and well-defined guidelines, yet there is a large segment of the population which is in need of support but not immediately eligible for these services. There is a large segment of SPH who are disadvantaged and would welcome the opportunity to acquire the necessary skills for business ownership or operation.

The project will allow the school to identify the target population who cannot be served by other means. The project will enable single parents, homemakers, and displaced homemakers to acquire the skills necessary for ownership or operation of a small business. Through this type of skill development the program would hope to reduce unemployment and/or welfare dependency in Greene County.

The program will coordinate with the local Greene County agencies to identify and make initial contact with single parents, homemakers, and displaced homemakers that are both in financial need and are deemed appropriate for the "Ventures in Business Ownership" program.

There will be a good linkage with JTPA, in as much as the school does all assessment and career counseling for the Greene County JTPA. They also have an excellent Displaced Homemakers program that will be used to link with the VBO project.

They have many linkages with business and industry in Greene County. They have active involvement through the Adult

Education and program committees. Much information with regard to the VBO program will be disseminated at these meetings. Further, the SBM advisory committee is composed of Chamber of Commerce and other community business representatives.

The adult director and supervisor are in constant contact with business/industry--both large and small--in Greene County.

Laurie Brohard has special ability to help her students in understanding the finances of their businesses as she also has her own business as a CPA, providing accounting and tax assistance to small businesses in the Lebanon area.

Upper Valley JVS
Piqua, Ohio

Coordinator: Jon Heffner, SBDC Director
SBM Instructor: Lee Kaufman
VBO Instructor: Carol Baumhauer

Upper Valley is conveniently located just north of State Route 36 where it intersects I-75 in rural western Ohio. They are in SDA #3 which serves Miami, Shelby, Darke, and Logan Counties. The majority of the adult enrollees reside in Miami and Shelby counties. Edison State College is adjacent to the campus providing additional opportunities for students to pursue degree programs that may be needed for some non-traditional occupations. Hobart School of Welding is also located only ten minutes from the campus.

In June 1987, Miami County (population 90,000) reported 1,309 adults receiving $345,558.00 per month of ADC support for 2,134 children. Shelby County (population 43,000) has similar statistics. In Miami County, 46 percent of the mothers with preschool children work outside the home, generally in traditional low-paying jobs. Shelby County reports 51 percent in this category.

This population, largely lacking basic education, has also been deprived of career planning, vocational training, and work experience. Left alone, most will remain in the welfare cycle and/or acquire employment in low paying, traditional, unskilled jobs.

Single parents who need to enter the work force at a level generating a living wage are looking at entrepreneurial opportunities. This fact has been verified by researching three years of Upper Valley Business Development Center client records, interviewing the co-directors of Women in Networking (a women's business organization), and reviewing minutes of a meeting of women completors of the SBM program.

They need this program to orient and educate women to the opportunities and realities offered in owning and operating their own businesses. They also need the program to teach the technical skills of marketing, financing, financial control, and general business management that may not have been in the educational background of the single parent.

This project will receive the cooperation and coordination of support, where appropriate, from the following adult education programs and services:

Assessment Center Service
Vocational Guidance
Career Counseling & Exploration Career Education Services
Personal Counseling
Job Placement Service
Financial Aid Counseling
Volunteer Contract Service
Adult Basic Education
G.E.D. Preparation
Small Business Enterprise Center
Small Business Development Center

National Occupational Competency Testing
Displaced Homemaker Program
Transitions Program
Small Business Management Program
Entrepreneur Incubator Program
Industrial Training Program
SPH Grant Programs:
  Tuition Assistance
  Child Care Center
  Innovative--ADC Mothers Project
Full-Time Adult Vocational Programs
Short-Term Supplemental Programs

Outside assistance by referral:

JTPA and OBES offices
Department of Human Services
Miami County Project Self Sufficiency
All other available service agencies

Carol Baumhauer is the owner of Baumhauer Insurance in Piqua. She has been the owner of this business for six years and prior to that was the office manager of another local insurance company. She is also president of the Retail Division of the Piqua Area Chamber of Commerce. She provides excellent support systems for the members of her class.

Wayne County JVS
Smithville, Ohio

Coordinator: Melissa Shrock, Career Services
SBM Instructor: Joyce Hocking
VBO Instructor: Jill Phipps

For the past several years, prospective students for Wayne County's skill training programs have been primarily homemakers or single parents. For example, in each of the past three years of the skill training programs, the percentage of JTPA students who were either single parents or homemakers has increased dramatically from 66 percent in FY85 to 93 percent in FY87. According to the Department of Human Services, the current case load of single-parent households in Wayne County is approximately 680, which reflects an increasing trend.

Current course offerings available to adult students are limited to five areas. However, when asked to identify on the Single Parent and Homemaker (SPH) grant application their "dream job", over one third of the applicants cited becoming self-employed or becoming a business owner.

The majority of businesses in Ohio are small businesses. According to the 1980 Census, slightly over half of private companies employ one to four employees and over 56 percent of new jobs come from small businesses. However, women are at a decided disadvantage in the field. While nationally their participation in the economy as business owners increased at nearly five times the rate for men, these businesses account for only 9 percent of all net income.

Single parents and homemakers often lack the self-confidence, networking skills and socialization crucial to becoming successful entrepreneurs.

The VBO project will provide opportunities for single parents or homemakers to explore their personal strengths as well as research the viability of ideas related to entrepreneurship. In a supportive, classroom-based setting, participants can nurture their beliefs in controlling their own future and gain the psychological and informational edge of pursuing a business idea in the company of others with similar goals.

As a full service center, the Wayne County Schools Career Center already has in place a proven SPH program that will enhance the VBO project. An existing recruitment, intake, and orientation process will insure that those most interested and most in need will be slotted into the program. A certified vocational counselor will assist in the screening process.

A scheduled series of self-improvement workshops are designed to assist participants in overcoming barriers to pursuing entrepreneurship. Included are Professional Image, Assertiveness Training, and Learning to Like Yourself. An on-site Small Business Management Coordinator will insure that her curriculum relates to Phase III as a culmination to the process. Existing relationships to JTPA, OBES, Department of Human Services, and the Wooster and Orrville

Chambers of Commerce will be tapped for input and referrals.

Wayne County's Small Business Management coordinator also manages the Small Business Resource Center and chairs the Economic Development Sub-Committee of the Wooster Chamber of Commerce. In addition, the SPH coordinator serves as vice president of the Wayne County Women's Network. Area businesses will be informed of this project through contacts by the Career Transitions Coordinators, Education & Business Partnership Coordinator, Human Resources Development Coordinator, and by mailings and media coverage. Mailing lists have been developed.

Jill Phipps recently owned a small general store with her husband. She brings special ability to the program including knowledge of computer use for small business planning.

These six sites all benefitted from these instructors' experience and abilities to serve as role models for other women who have not yet had the opportunity to move ahead in the business world.

## PROGRAM DESIGN

The VBO Program was designed to provide instructors with access to existing services and classroom materials that had been well-tested and could be used without much additional development on the instructor's part. It is composed of five major parts, 1) Assessment, 2) Beyond a Dream, 3) Business Startup, 4) Support Group, and 5) SBM Program.

Parts 2 and 3 are the major classroom activities in the VBO program. Part 1 is mostly handled by assessment staff, and Part 5 is handled by the SBM instructor for those who choose to seek more help. Part 4, the support group, is an ongoing networking meeting handled by the VBO instructor, and designed to keep adding graduates as the program continues. The instructor will conduct two different series of the VBO program in a one-year period, ending June 30.

These five stages are explained as follows:

### Part 1--Assessment and Intake

Since the project is directed toward a special population with unique needs, it is imperative that effective outreach, recruitment, and assessment be used to identify those persons who have a strong desire to start their own businesses in the immediate future. Within a month prior to entry into the program, each potential participant will go through an assessment and in-take process.

Part 2--"Beyond a Dream"

This orientation phase of instruction will be five weeks in length with individuals meeting a minimum of 8 hours per week. Instruction includes analyzing individual interests, needs, talents, education, and goals to determine the desire and feasibility of establishing a small business in a specific community. Participants will prepare a preliminary business plan to determine whether it is feasible to continue in this direction.

Part 3--"Business Start-Up"

Fifteen weeks of instruction will lead the individuals from the development of a business plan to actually seeking the resources to open a business or assume ownership of an existing business. Participants will be required to meet as a class for a minimum of four hours per week in addition to other assigned activities. In addition, the instructor will be available to individual participants for assistance in developing an individualized follow-up plan.

Part 4--Continued Support Group

The VBO instructor will be available to provide ongoing assistance and support at least once a month to program completers as a group.

Part 5--"Enrollment in Small Business Management Program"

The Small Business Management program is an ongoing course of study support system for small business operators. In each field site, a Small Business Management instructor will be available to provide on-going assistance and support. Participants completing Part 2 and Part 3 will be eligible to enroll in the Small Business Management program under a Carl Perkins Occupational Training grant.

The steps of the program have been further broken into a flow chart (figure 2) that identifies the specific tasks to be undertaken by the VBO instructor in managing the program. The flow chart provides a visual picture of the instructor's activities which are described in the following sections.

## Advisory Committee and Consultant Pool

The success of any entrepreneurship education/training/development effort is greatly dependent

# NVP Program Flowchart

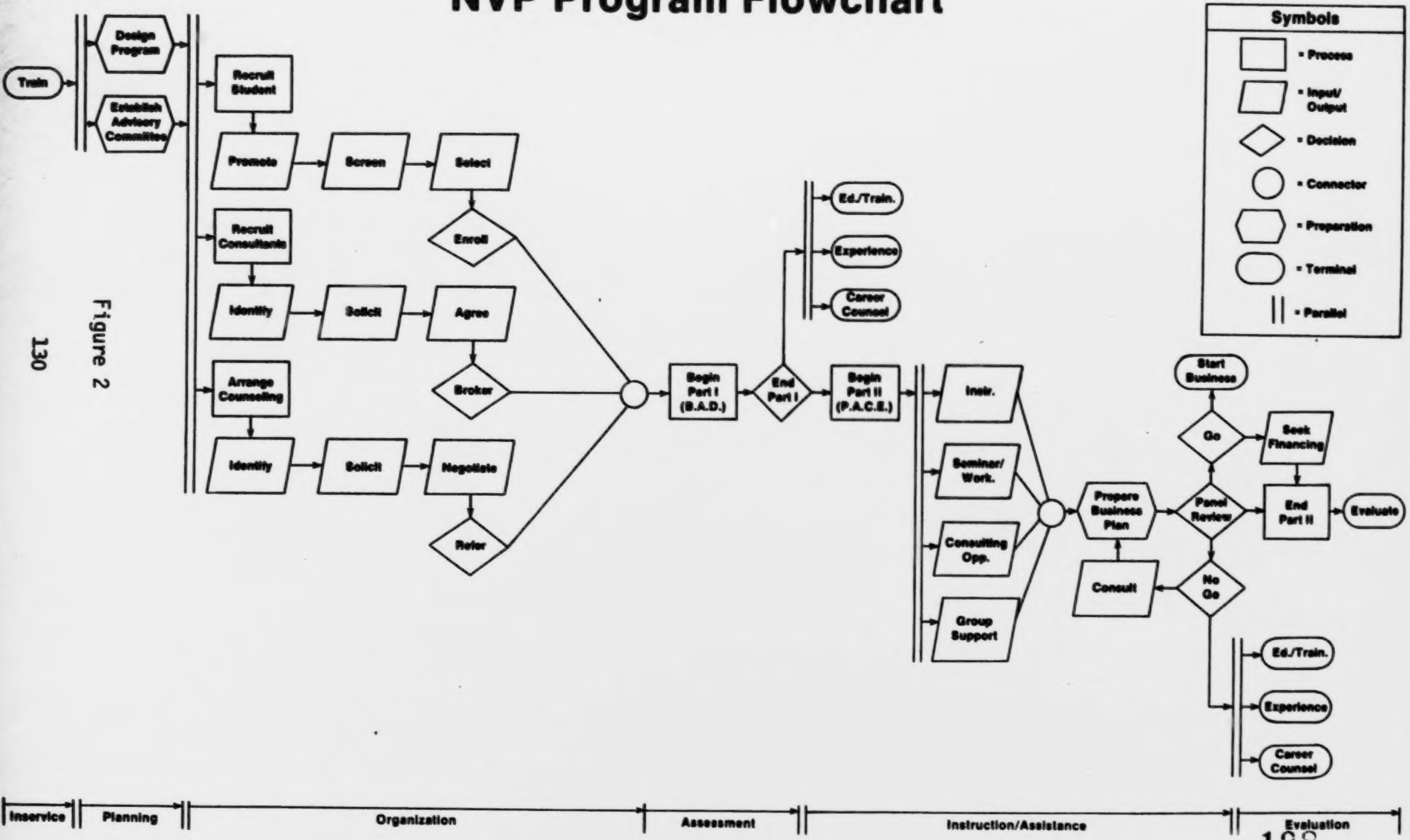
Train
Design Program
Establish Advisory Committee
Recruit Student
Promote
Screen
Select
Enroll
Recruit Consultants
Identify
Solicit
Agree
Broker
Arrange Counseling
Identify
Solicit
Negotiate
Refer
Begin Part I (B.A.D.)
End Part I
Ed./Train.
Experience
Career Counsel
Begin Part II (P.A.C.E.)
Instr.
Seminar/ Work.
Consulting Opp.
Group Support
Prepare Business Plan
Consult
Panel Review
Go
No Go
Start Business
Seek Financing
End Part II
Evaluate
Ed./Train.
Experience
Career Counsel
Symbols
= Process
= Input/ Output
= Decision
= Connector
= Preparation
= Terminal
= Parallel
Inservice
Planning
Organization
Assessment
Instruction/Assistance
Evaluation

Figure 2

upon the level and degree of input, direction, support and assistance provided by the local business community to both the program itself and to the participants it serves. A broadly representative advisory committee can help the program operator lever influence, credibility, and support in accomplishing program objectives. A broadly based pool of volunteer consultants can also help program participants increase the success of their start-up activities.

## Recruitment

The following promotional pieces were used in the first year of the VBO program to recruit 186 participants for six different sites in Ohio. Each piece was developed to reach a specific selling channel.

- News release: local newspapers often will use it as you wrote it--and they like pictures.
- Paid ads: generally were put in the classified section because of costs.
- Radio public service spots: generally are available, free, but do not run at the best times.
- Letters to organizations or potential students
- Fact sheets to stuff in mailings, retail store distribution opportunities, etc. Also, person who answers school phones needs this basic information.
- TV announcements, interviews, news, public service listings, etc,
- Signs: post in key locations.
- Brochures: modify the standard design provided and pass it out everywhere.
- Speak at community meetings, i.e. YWCA.
- Night of classes for all adult programs at the school.
- County fair booth.
- Success stories/meet with county commissioners.

In addition, instructors were encouraged to continue passing on information about classes and activities throughout the year. Special speakers, graduation, class success stories, etc., are often used by smaller newspapers. You just have to provide the copy and pictures if possible.

Recruitment is a difficult program task, because the persons who would most likely participate are not easily captured through any one communication channel, in any one area of interest, location, occupation, or background, or by any one message. Selling the program has to be done aggressively and in as broad a manner as is possible.

## Participant Criteria and Selection

Prior to beginning each class it is important to take adequate time to interview each applicant and give them time to make use of the school's assessment program. Each school will devise its own process so that it is in step with the procedures for handling single parent/homemaker applicants, Small Business Management program recruiting, and other adult ed training opportunities.

The VBO instructor should schedule a meeting, either singly or in groups, to explain the program and answer questions. The Participant Information form (figure 3) was designed for this purpose. This form should be in the file for each VBO participant. If they have a group orientation meeting instructors may also wish to collect this information in an individual interview.

Activities to be considered during the selection process include:

- o Determine the business idea(s)
- o Identify personal problems/issues
- o Use personality/skills assessment instruments and evaluate
- o Determine whether class times will be in conflict with other priorities
- o Arrange $15 entry fee, and arrange tuition for those who do not qualify as single parents or homemakers
- o Answer questions about the VBO program
- o Determine whether best suited to VBO or SBM program

The local program operators must decide for themselves how to evaluate participant criteria/information and how to "select in" or "select out" individual participants. These decisions will be heavily influenced by local situations, conditions and needs.

Of the applicant information collected, we discovered the following:

- Work Experience--fewer participants started businesses "in their fields" than those who started businesses "far afield."

- Education--not a significant factor in any context.

- Skills--when combined with Personal Interest/Avocationa a strong correlation exists with strength of business idea and level of effort in program--consistency between skills, interest and business ideas are a good predictor of positive motivation in program and goal-directed behavior.

- Personal Interests/Avocations--see remarks above.

- Expectations--along with the business idea, a good correlation between strength of responses and strength of program performance--strong expectations plus strong idea equate to strong performer--weak expectations plus strong idea equate to pleasantly surprised performer--strong expectations plus weak idea equate to early drop out--when weak on both counts, good candidate for "select out" decision.

- Business Financing Possibilities--the stronger these responses the more likely that participant will stay with the program and that participant will view start-up more seriously.

## Beyond a Dream

This curriculum product was designed for instructors to use with any audience of adults who would like to consider starting a business. For the VBO program it will be used twice a week for five consecutive weeks. At the end of the program (Part 2 of the VBO) it is anticipated that some of the participants will decide to leave the program. Any one of the following options is appropriate for participants to pursue as a result of Beyond a Dream:

1. Plan to start a business later after getting related work experience.
2. Plan to start a business later after getting more education or training identified as a need.
3. Find another area of employment. Starting a business is definitely not for me.
4. Ready to see how I can get my business idea started.

FIGURE 3

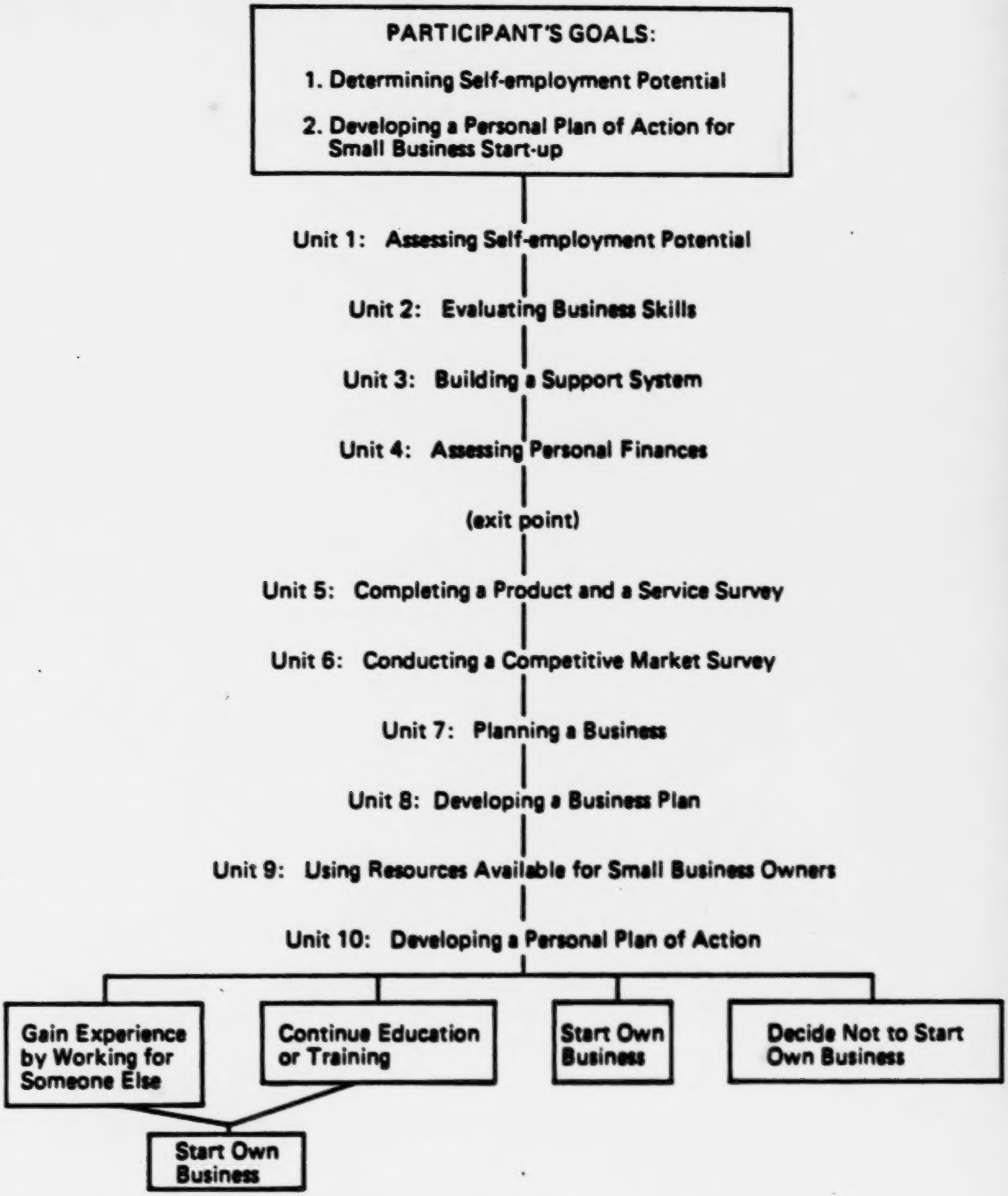
PARTICIPANT'S GOALS:
1. Determining Self-employment Potential
2. Developing a Personal Plan of Action for Small Business Start-up
Unit 1: Assessing Self-employment Potential
Unit 2: Evaluating Business Skills
Unit 3: Building a Support System
Unit 4: Assessing Personal Finances
(exit point)
Unit 5: Completing a Product and a Service Survey
Unit 6: Conducting a Competitive Market Survey
Unit 7: Planning a Business
Unit 8: Developing a Business Plan
Unit 9: Using Resources Available for Small Business Owners
Unit 10: Developing a Personal Plan of Action
Gain Experience by Working for Someone Else
Continue Education or Training
Start Own Business
Decide Not to Start Own Business
Start Own Business

Figure 2. Business start-up exploration for displaced adults

This last option represents the group who will go on to Part 3 of the VBO at this time.

Attached is the outline of the 10 units that help potential business owners decide on the desirability and feasibility of proceeding with starting a business. For those who drop out at this point there are places to refer them for other career options or training. And, at the very least, the participant has gained a beginning understanding of the opportunities in the business community.

PACE/Business Start-Up

This curriculum product was designed to be used in parts as it best suits the educational needs for different target audiences. As a whole, it is a streamlined approach to providing a comprehensive entrepreneurship curriculum.

For the VBO program it is estimated that participants will need to use 16 of the modules at Level 2 and some of the modules at Level 3. It shall be remembered that VBO doesn't need to teach everything there is to know about business now because these entrepreneurs will have a chance to learn more in the Small Business Management program after their business is underway. However, they do need a good basic foundation in business skills so they can feel able to "fly solo" when the program is over.

Recommendations for use of PACE with the VBO program are as follows:

- Reading PACE modules should be a home assignment.
- The content of each module can serve as an organizer for the activities in each class.
- Those areas that need more time can be the subject of extra seminars later in the program.
- The business plan should be the major outcome of studying PACE. There are tests and other written activities in the curriculum, but we need to focus this group on the application to their own business, not memorizing for a test, etc.
- There are handouts and transparencies provided in the teacher section that may be useful to introduce each new topic.
- Spend time in class discussing the content so that questions can be answered and ideas clarified.
- Don't try to teach too much at one time. They cannot learn everything about business in 15 weeks.

Encourage them to take part in the Small Business Management Program to develop more expertise.

### Support Group Meetings

After the first class graduated, regular meetings were started to share progress and solve problems. Often the students held them in their homes or went out to a meal together. As the second class progressed it began to meet with the first class.

This activity did not generally involve a special program. Participants each wanted plenty of time to talk about their business. And they were comfortable sharing their problems with this group as they had learned to do in class. It is anticipated that this VBO networking activity will continue even after some participants take part in the SBM classes. And second-year graduates will join in with the first groups.

## NATIONAL CENTER'S TECHNICAL ASSISTANCE

The entrepreneurship program staff at The Ohio State University were under contract to the Ohio Division of Vocational and Career Education to assist the six site coordinators in implementing the VBO program. This included the following activities during the period July, 1987, through June, 1988.

### Advisory Committee Meetings

These meetings were held to plan and evaluate the program. Advisory committee members were helpful as speakers and provided assistance throughout the year as needed. They evaluated the outstanding graduates for awards that were presented at the Showcase in June, 1988. National Center staff organized and conducted these meetings in cooperation with Ohio Vocational Education staff.

### Materials

National Center staff developed an extensive program guide to assist the instructors with the new pilot program. This included all the items previously described under "Program Design." Staff also developed a plan for using Beyond a Dream and PACE along with many other activities in the 20-week program.

A logo for VBO was designed for use on notebook covers for participants. Art work for the VBO signs and a two-sided brochure was prepared to be used at all sites.

Throughout the year new materials were collected and distributed to instructors, either by mail or in meetings.

## August Inservice

Instructors, their SBM partners and program coordinators attended an opening inservice day to kick off the program. The instructors stayed in Columbus for an additional four days for in-depth preparation to teach the VBO program. Many special speakers were featured on the agenda (see appendix). These included Paula Manillo of WEDCO in Minnesota. Paula shared some of their strategies for helping over 3,000 women decide whether to start businesses in the Minneapolis/St.Paul area. Other speakers included several women entrepreneurs from similar backgrounds; Patty Russell, Bill Ransom, Jon Heffner, Vickie Rash, Carol Whitney, and Carl Kemery.

An effort was made to build a social bond between the instructors so that they would become a support system for each other. This was quite successful, except two of the instructors missed this inservice because they had not been hired. They were at a definite disadvantage and had to rely on their SBM instructor to relay all of the necessary information from an entire week.

We were able to provide one day of instruction to these two VBO instructors at a later date. But we could not really be sure we had adequately prepared them, as we had done in a week for the others.

## Meetings

The VBO instructors met twice during the year to discuss program needs and to gain added inservice.

The first meeting was held November 18-19, 1987, in Columbus in connection with an SBM meeting that focused on how to develop good business plans. We also discussed record-keeping systems with the VBO instructors.

The second meeting was held March 4-5, 1988, in Youngstown in order to be able to also attend the Home-Based Business Conference sponsored by Youngstown State University. Instructors had an opportunity to give input on revisions of the RFP for the second year of the program. Also they helped plan the Showcase meeting to be held in Columbus in June. It was agreed that all program evaluations would be sent to the National Center prior to the June 28 Showcase.

## SUMMARY

The first year of this pilot test program revealed that there were a great number of potential entrepreneurs (mostly women) who would actually start a business with the help of such a program. The final success of the program is still to be determined. However, a second year is already under development. It is hoped that this program will serve many of the job needs of these single parents and homemakers.

## Rx For Avertising

by

Edmond A. Bruneau

President, Creative Consultants

I'm going to talk to you today about making advertising work for small business. Advertising is serious business. The problem is, most small businesses treat it very nonchalantly. Some of the comments that I've heard through the course of my years include, `well, maybe I'll run an ad next month, if the newspaper salesman comes around again.' Or, `gee wiz, I don't know where I can get the money to advertise.' Or, `I ran a commercial on that radio station because it was alot cheaper.' Or, `I let the newspaper create my ad because they did it for free.' Or, `we started an in-house advertising agency so we could save the 15 percent. Or, `advertising is a rip off, we don't really need it at all.' `Advertising sells things that people really don't need.'

This chart shows one of my favorite ads done by Young and Rubicam. `Advertising does sell people things they do not need. Things like television sets, automobiles, catsup, mattresses, cosmetics, refrigerators, ranges. People don't really need these things; they don't need art, music, literature, newspapers, historians, wheels, calendars, philosophy, or for that matter, critics of advertising. All people really need is a cave, a piece of meat and possibly a fire. This complex thing we call civilization is made up of luxuries. An eminent philosopher of our time has written that great art is superior to lesser art in the degree that it's "life-enhancing". Perhaps sometimes the same thing can be said about products that are sold through advertising. They enhance life, to whatever degree they can. Indeed, that's the purpose of our unique and restless economy. It's fundamentally devoted to the production and distribution of things that people don't really need. Among them are toothpaste, electricity, outboard motors, artificial satellites and education. Without advertising, the economy can simply not exist.'

'We're saving money this year by not advertising.' I love that one. As a wise person once said, a person who saves money by not advertising is like the man who stops the clock to save time. Advertising is an essential to business if you're going to succeed. The problem is, when it comes to advertising, most businesses don't know what they really want -- or where to get it or what to do with it when they have it.

The question is, why don't most small businesses take advertising seriously? Why don't small businesses create a realistic advertising budget? Why don't they plan out the best times to advertise during the year? Why don't they develop a position that they want to achieve, or a competitive strategy? Why don't they buy advertising on the right radio station, in the right newspaper, in the right places at the right times? Why don't they worry about making their advertising creative enough to penetrate all the clutter that exists?

Well, there are probably a thousand reasons why they don't. But I think one of the reasons is that many businesses don't put themselves in the places of their own customer. I imagine a client sometimes saying, 'who is this customer and why is he saying all those terrible things about me?'

One of the first things a business should do is sit down and write a profile of who his customer is. Who are these people that buy from you? What is their age? Are they male or female and if so, what's the ratio? What's their educational level -- is it varied? Are there similarities? What are their occupations, blue collar or white collar? What's their income? How much do they have to spend? Do they have common interests? Do they all listen to country music? Do they like to play tennis? If you know enough about your customers to answer questions like: what television stations do they watch? What part of the newspaper do they read and if there are 3 newspapers in town, which one do they read? What radio stations do they listen to and when do they listen to it? What magazines to they subscribe to? These are the kinds of questions you need to know the answers to -- otherwise how can you do a good job in trying to reach those customers? And if you don't have those answers you have to find them. After all, if you don't know the people you are talking to, how can you effectively satisfy their needs?

Research? Most businesses conduct research for the points they want to hear. They don't want to hear the negative. But there are other ways to do it. You can survey your customers when you bill them or when they send you back their checks they can send back a survey. Or a random telephone survey of your customers or a prospect or whatever demographic you're trying to reach. Ask them the right question -- find out. You can even have a contest if you want. Think like your customer and put yourself in their place. Then, answer the question: 'Why is he or she buying from me?' The results can be interesting. Do I give better service than the competition? Do I have a better product? Or are my prices better or a combination of it all? Why do they buy from me? These are things that you have to think about if you're going to do any kind of advertising at all. Then you want to ask yourself, 'What can I do to keep the customers that I have and to attract new customers?' The answer is simply advertising. That's how you do it folks.

Advertising does not necessarily mean putting ads in newspapers, putting radio spots on radio commericals, television, magazines. There are lots of other types of advertising. Your sign out front of your advertising is advertising. Your business card is advertising. Your stationary is advertising. Advertising specialties like key rings, pens, pencils are advertising. A newsletter properly done is a combination of public relations and advertising. There are many different ways to advertise. And you're probably doing it now one way or another. The question is -- are you doing it right?

A lot of small businesses don't set a realistic advertising budget, because they just don't know how. When I wrote my book, Rx for Advertising, I thought this was a basic problem. So I did this chart. It simply talks about how to set an advertising budget for general business categories. This list is a compiled effort that forms a basis of what percentage of your gross profits you put toward advertising. If you want to be in the average category, this is the average amount that these types of businesses put toward advertising out of the money they make. Now when I say money they make I'm not talking about income, I'm talking about gross sales. If you're a $3 million a year company and you set you're figure at 5% what would your advertising budget be? $150,000. That's a lot of money. But that advertising investment will make you more money, too.

Some of the things you should think about when you do your advertising budget are: the sales that you want to achieve; the profits that you want to make; how much competition you have; and the position you want to create for yourself in the marketplace. Those all have to be weighed against an average advertising budget. If you have a lot of competiton, you're going to have to advertise more to get your product some attention. A one store business is going to have to spend more than two or three stores in the same town because they can take advantage of shared advertising. That's logical. Launching a new business or creating a new entity is going to cost more. They said once that a plane taking off from the ground uses over half of its fuel before it gets up in the air. Think about that when you launch a new business.

Gaining market share is also an expensive proposition. If you're trying to steal customers away from the competition, just realize that it is expensive to change peoples habits. I think human beings are creatures of habit. They like to go to one place and if they are happy with that place they don't like to change. Trying to get people to change -- trying to influence behavior -- is important, but far more expensive than just advertising. Let me give you an example. If you can advertise well and change your market share by 2%, you're doing wonderful things. It doesn't happen overnight.

Once you arrive at a figure for your yearly advertising budget, figure out when your business does the best -- what months or weeks you sell the most. Most businesses have a cyclical relationship with their sales. They'll have good months and they'll have bad months. Well, the temptation is to make the bad months the focus and make them better. That's where they put all their advertising money. And that's wrong. When people are ready to buy, the smartest thing to do is put your advertising out to attract more people. I'm not saying don't advertise during poor months, I'm saying put most of your advertising in the good months. Create a budget and spend it. You're not saving a dime by not spending it.

That's one of the most frustrating things I've ever had to do with a client. We finally get them to set an advertising budget, a realistic one. And then when it gets down to really spending it they go, `ah, well, I think we'll just hold off for a while.' Why? It doesn't make sense! They say, `Because if I save it I won't have to spend it.' I work a lot with partners and family-owned businesses and I sometimes think they are thinking about next year's bonus. They may think that what they don't spend in advertising, they can stick in their pockets. But that's not good business.

How does advertising work? How does advertising communicate? You've got all these messages coming to this guy. You have this advertising medium that you utilize -- whether it's magazines or radio or television. And it goes through some sort of filter. What is that filter? It's the filter of the person tuning in or tuning out. The competition that exists. All the different aspects that are the problems of advertising. And finally, if the person does see the message and gets the message, it depends on his own personal characteristics if he actually receives that message. Does he remember it after he encodes or decodes it? And then what's his response? This chart shows that just because you advertise, just because you create an ad, it doesn't give you an absolute guarantee that you're going to reach that person -- or if he's going to have a positive conclusion.

We are exposed to six hundred to sixteen hundred advertisement messages a day. Did anybody read the newspaper today? How many advertisement messages do you remember? It was chock full of ads trying to get your attention. If you drove here, you saw billboards. If you listened to the radio, you heard commercials. What did you remember? What did you retain? Not much. If a person had to remember all 1600 hundred ads in a day, I think that would be the only thing he could talk about. Can you imagine the conversation? But how do you penetrate all this clutter. How do you stand out as the one message that they are going to remember? That's the challenge in the advertising. And the secret is creativity.

The secret of advertising. This chart was produced by

Campbell-Ewald. `Each of us wears a halloween mask all year long. We have to, to keep our nerve endings hidden. To keep our hopes and needs, hangups and fears, prides, prejudices, irrationalities and cry buttons from hanging out for everyone to stare at or step on. We wear these shells to work, to lunch, to meetings, to church. We keep them handy when friends drop in and adjust them for which friends drop in. It's this shell, whether it's button down, Edwardian, or denim, that confuses all of us in advertising. If we're not careful, we find ourselves writing to the mannequin, instead of to the man inside. Which often makes our ad cute but not convincing, beautiful but not believable, swinging but without substance. Shell-talk forgets that within all of us, no matter how young or old we are, is a person who worries about money, age, looks, health, happiness, family -- or whether people like us or hate us -- or simply worse, ignore us. The secret of advertising is to crack the shell and to talk to the man inside of the man. Simple it may seem, but it really isn't. It takes an uncommon understanding of people, great sensitivity and skill, and a discipline to use each and every one of them. But it means the difference between an ad that someone skips over and one that someone reads all the way to the end.' That's the difference. Creativity is the impact.

A lot of people create creative ads but forget to sell. "Did you see that ad, I forget what the product is, but it was really funny." It happens. How do you get creative advertising? How do you make your advertisement work when you create this amount of money that you want to spend? How do you get some value out of this money and make sure that the advertisement is working for you?

When I'm in trouble I get a lawyer. When I need work on my teeth I see a dentist. And when I need some work on my advertising, I hire an advertising agency or I get a consultant. I hire a professional to help me. It's their job to come up with good ideas.

Many people think that advertising agencies are too expensive. It depends. My book deals with several chapters on how to hire an advertising agency and make it work for you. How to deal with an advertising agency with costs you can afford. But you may not need an advertising agency. Small businesses can hire a creative consultant. They can use artists, photographers and other creative 'free-lancers'.

The small business person wears too many hats already. The last thing he's an expert about is advertising his business. That is a realization that you have to understand. Search for a creative very carefully. When you search for a writer, photographer, graphic artist, ask around to friends. Use the phone book. See their material. See what they've done before. Interview them and create something that you like.

The point is if you can get a good creative team or individual, you can get good creativity. If you can get good creativity, your advertising will work. You can negotiate their rates, too. It's not written in stone.

Let's think about the media in general for a few minutes and why the media buyers have such a tough job. You want to advertise and you don't know which medium to advertise in. You start thinking about the advantages and disadvantages of every advertising medium. Let's think about it for a moment.

Newspapers. Almost every home gets a newspaper and reading the newspaper seems to be a customery habit of all families whether it's morning or evening. Dad gets the sports section, Mom gets the Family Living section, and passes the comics to the kids. There's something for everybody: news, sports, classified, comics, crosswords. You can reach different types of people by advertising in different sections of the newspaper. If you want to reach a sports enthusiast, you put that auto parts ad in the sports section. You don't rarely see that same ad in the women's section or the society page. Unlike broadcasting, the reader can take time with the newspaper, devour it and read it at his leisure. If you want to read something over again, you just read it again. It's good for detail -- you can get a lot of prices in there, a lot of information. You can tear the darn thing out and take it down to the store. It's great. It's good for prices, descriptions, telephone numbers, coupons and it has a sense of urgency because it carries the news. You know that this is today's paper, I don't want yesterday's paper, I want today's paper. Production changes can be made very quickly. And there are different size ads to fit your budget.

There are disadvantages, too. You can read it once and then it's gone and tomorrow's paper is here. It stays in your house about a day. Small ads can get lost in a large newspaper page. Ads have to compete with the person's attention for what else is on the page -- cartoons or news articles. If there's not a good news article, I just skip that page and don't see the ad. Area of dominant influence. It's the area that you're dominantly influencing. You may be reaching too many people with newspaper. If you have a small neighborhood store and you put this big ad in the newspaper, people from across town aren't likely to come over and buy from you. Only the people in your general area are going to buy from you -- so you're buying more readers than you need.

What about radio. Radio for one, is relatively inexpensive for the number of people you reach. You can negotiate for your commercials. If you're a furniture store you possibly can trade them furniture for commercial time. Radio stations are always looking for contest prizes as part of your payment in trade.

Radio is called the theater of the mind; creating things with sound is a lot less expensive than creating a video or a film. You can go to the jungles of Africa for very low production costs on radio. Scripts can be changed very easily. Radio has that "up-to-the-minute" sense of immediacy that people like to hear. Well, that's sort of carries over to the ads that come on. This is an up-to-the-minute ad. "I'm going to go do this."

Station announcers have a personal rapport with the listeners, so when they read a commercial it's almost like a personal endorsement. Radio is also good support for print advertisment. "See your ad in the Sunday times." You can also pinpoint your audience on radio. If you want a country and western listener put it on a country and western station. You've got a good demographic idea of what that listener is all about. Rock stations -- you've got a good idea about what those listeners are like, too. It all depends on who you are trying to reach.

What are some of the disadvantages? Well, you can't review a radio commercial. "What did they say? Well, wait till it comes on again." If it does. A lot of radio stations are competing with listeners' loyalties. You can only listen to one radio station at a time. There's plenty of them going on -- all the time. And people don't listen to radio all the time, they only listen some of the time: when they're in the car, when they're waking up in the morning. Radio has different costs at different times. It's cheaper to buy at midnight, but who's listening? It sells an image, but it's poor in details. Ever get one of those messages where they start throwing out all those prices.

Frequency is a very important aspect of radio. If you don't advertise to your listener and reach him five to seven times, he probably won't respond effectively. Which means you have to buy a lot of radio commercials to reach your listener five to seven times. That doesn't mean you buy five spots, because chances are that same listener isn't listening all the time. By then, things start to sink in. If it's a good spot, he'll still listen to it, but by the third time, he'll say, "I really like that Remington ad. I think that I will buy that shaver after all." Radio listenership increases in the spring and summer and decreases in the winter. Of course, television does the opposite. The audience increases in the fall and winter and decreases in the spring and summer. Why? Because people are going outside and they take a radio with them. They are not watching TV when they're out on a nice summer night playing tennis or having a picnic.

More Americans spend more hours watching television every day than any other advertising medium. It provides sight, sound, color, emotion and its ADI (Area of Dominant Influence) is larger than your city's newspaper. Sometimes television can cover half a state. Advertising on TV can give that certain product or service instant validity. "I've seen it on TV, well, then I'll buy it. Sounds good to me." It's excellent for accurate targeted reach in children. Show it on Saturday morning cartoons and you'll reach kids, guaranteed. Housewives are going to watch soap operas. Sports enthusiasts -- football games. It permits the greatest amount of advertising creativity in the world.

Since there are fewer television stations than radio stations, it's not as hard to figure out which station to buy.

Television negatives? First, costs again are variable. It depends upon the time of day that the program airs and the number of viewers that watch the program. If it's a popular program it costs more money. It's simply supply and demand when you're buying for television. Commerical time can also be really expensive. A 30 second spot during prime time can cost 10 to 30 times more than a radio spot. A large ADI can carry the same disadvantages as we talked about for newspaper. If you're reaching half a state and you only need to reach a city, does that make sense? Are you reaching a lot of waste demographics that aren't going to come to your store -- aren't going to use your service? It may not be efficient.

Creating a good commerical can also be expensive. To run a local commerical (unless your local station does it for you) can run you about $2500 dollars. A national, regional commericial - $75,000 and up. That's what it costs. And then, you've got to be sure it's good or else people will go get a snack during the time it comes on. What do you do when a commerical comes on? Maybe talk about a program or something in the room? Or take a bathroom visit? That's known as the flush factor in advertising. There are some theories that say a bad commerical gets more attention. "I'm still squeezing that Charmin, I hate it, but it's the number one toilet product." On the otherhand, if it creates a negative image about the product, people won't buy it.

So what's to keep people from tuning out? Creativity. Some of the APPLE commercials are wonderful. Everybody has their favorite commericals. The thing that you have to think about as a customer, not as a advertiser, is did those commericals do a good job to influence you to buy? Did you immediately go out and buy that product (as so many advertisers expect) or did you mull it over for a few months and weigh all the alternatives -- and finally said yes and then went out and bought the product? Think like the customer not like the advertiser. You'll be a lot better advertiser.

There are other mediums, too. Outdoor advertising, billboards, posters, signs. It's part of the environment. When you're driving down the street, you don't have any option of changing the channel. You're going to see that billboard. You've got a captive audience for this type of advertising. But, there's also the factor of tune out. After you've seen it a few times, it kind of blends in with the rest of the environment. You can put a billboard a block away from your hotel that says, "stay here." It influences people. "Well, I was looking for a place to stay." Billboards are an excellent helper medium for good radio, television or newspaper advertising. It's another medium that I don't suggest you use on a stand alone basis, but it's a great support medium. Some limitations? It's only a glance medium -- you're driving along at 40 mph, you see it and it's gone. Very few people walk along side of the bus trying to read the message. It has to be simple. Five or seven words in outdoor advertising, maximum, that's it, no argument. That's all you can read when you're in motion. Billboards are good for long term type advertising.

Another type of advertising is direct mail. I love this, someone told me this the other day and I had to write it in. "It turns a postage stamp into a house key." I like that. Direct mail is good because you can get a targeted list. If you're a wooden leg maker you can probably get a list of amputees. It's very direct. It can be relatively inexpensive. There are probably not a lot of people that need wooden legs across the country, so send them a letter.

Speciality advertising are things like pens to pocketbooks, bags to buttons, keyrings to calenders. You know what I'm talking about. You've got got a calendar and it's got the client's name on it. It's a medium that we like to be the audience for because we get something for it. You get a product, you get a keyring. In my opinion, though, it's not effective as a stand alone advertising, but it's really a good support medium and a good image-building medium. You're customer always appreciates a gift. So why not have the gift with your name on it? It makes sense.

A couple of rules! Don't buy that specialty advertising stuff from the mail without checking your local people first. There are advertising specialty houses in your town, they do it for a living and they are reputable businesses. Don't buy the pens through the mail unless the pens are cheaper and look like a better product and you check with your local people first. Don't buy anything over the telephone. Please. I had a client who came back to me with a smile on his face. I asked him why he was smiling, and he said, "I just won a grandfather clock. All I had to do was buy 200 of these pens and I won a grandfathers clock." He got the 200 pens, the clock was junk, he paid 3 times more than he had to.

I have given you a picture of the different kinds of media and the advantages and disadvantages of all. To create your advertising is only half the job. I recommend an agency or a media buying service do media buying for you. You're not qualified to create creative advertising for yourself, that's not your job. Buying media is not your job either. A medium buying service will usually do it for 15% commission or less. An agency will do it on the same basis. And they will do a much better job because the media for the most part is negotiable. They handle these people every day, they deal with them every day and they will negotiate far better than you can. Here's somebody who buys advertising all the time and can do a better job for you. But remember, the media buyer is only as good as the direction he or she is given. Part of my book talks about the egomania syndrome. See if you know any of these people: He instructs the buyer to buy shows or stations he thinks are prestigious or are his personal favorites. `I want that show on Jeremy's Whale at 7:00. I sit down and I watch that show. I want to see my spot on there.' Egomaniac. Or the greed syndrome: `I want you to put an ad in that little weekly publication. They are giving away two free dinners with every ad.' It sounds sick, but its true. They don't think about ratings being bad, they buy because it's a good deal. They're getting spots for 10 dollars less. They don't think about the fact that their getting less of an audience at the same time. It's cheaper, I save money. Then there's the specific syndrome: The media buyer asks the question, `who should I aim this for?' What's your basic target demographic, who's your customer?' If he says, "Everybody's my customer,' that poor guy's got a real job cut out for him because it's harder to advertise to everybody.

There are a couple of other things that are really important here. Reach and frequency. When it comes to any kind of advertising analysis there's a basic formula that media buyers utilize. Reach is the percent of people in your demographic market that are exposed to your advertising. On a radio station, for instance, you might be hitting 6% of the general demographic you're trying to reach. Frequency is how many times you're hitting that 6%.

It's common knowledge that the Wrigley Spearmint guy advertised. One day he was travelling in California on the train with a young accountant from the firm and the accountant says, "Wrigley's gum is known and sold all over the world. We have a large share of the market. Why don't we save the millions that you're spending on advertising and shift those figures to the profit column next year, next quarter.?" He thought for a moment and said, "How fast do you think this train is going?" "Well, I don't know, about 60 mph." "Why then doesn't the railroad company just remove the engine and let the train travel on its own momentum?" That was why he continued advertising. he also said that 50% of his advertising didn't work. The problem was he didn't know which 50%.

Another way to figure out advertising efficiency and it's another thing your media buyer should provide to you, is a cost per thousand-analyis. It's a very simple method of figuring out how much it cost to reach that person with that medium. How do those mediums compare? Is newspaper a more efficient cost per thousand than radio? Or the different radio stations you're using -- how do they compare? You know what's really surprising? I do a lot of these analysis for people. And usually the most expensive radio station is the most effecient, because they reach the most people. Some of the smaller stations that cost less are far less efficient.

TV uses another formula. If you're going to use television advertising you need to know this term: Gross ratings points. Basically, every program that exists is given a certain amount of ratings, through network research services. Miami Vice might have a rating of 23. Mr. Belvedere might have a rating of 7.5. If you're going to advertise 10 times during a program, ten times 23, you're going to have 230 gross rating points. If you advertised on Mr. Belveder 10 times you have 75 gross rating points. The whole idea is to explain how much audience share you are buying.

Another important aspect in advertising you should be aware of is called synergestic advertising. Synergisim simply means you are using more than one medium together on the same idea on the same campaign. Why? So you can influence behavior better. It's simply means this. Two plus two equals five. Utlizing media together at the same time creates a larger value than two mediums used separately. Synergistic advertising.

Media buyers are experts. They can negotiate costs well because they do it for a living. They'll save you hundreds of dollars, which is probably far more than 15% your thinking of paying them to do it for you.

The last chapter in my book is called "Knowing Enough to be Dangerous." People know just a real little bit about something and they think they know a lot. Let's talk about this ad for a second. "Do or Die? Is this ad some kind of a trick? No. But it could have been. At exactly that point rests a do or die decision for American business. We in advertising, together with our clients, have all the power and skill to trick people or some we think. But we're wrong. We can't fool any of the people any of the time. There is indeed a twelve year mentality in this country; every six year old has one. We are a nation of smart people. And most people ignore most advertising because most advertising ignores smart people. Instead we talk to each other. We debate endlessly about the medium and its message. Nonsense. In advertising, the message itself is the message. A blank page, a blank television screen is one and the same. Above all, the messages we put on those pages or on the television screen must be the truth. For if we play tricks with the truth, we die.

Now the other side of the coin. Telling the truth about a product demands a product worth telling the truth about. Sadly, so many products are not. So many products don't do anything better or anything different. So many don't work quite right or don't last or simply don't matter. If we play this trick, we also die. Because advertising only helps a bad product fail faster -- only helps a bad service fail faster. No donkey chases the carrot forever. It catches it or it quits. That's a lesson to remember. Unless we do, we die. Unless we change, the tidal wave of consumer indifference will wallop into the mountain of advertising and manufacturing drivel. That's the day we die. We'll die in the market place. On our shelves. In our gleaming packages of empty promises. Not with a bang, not with a whimper. But by our own skilled hands."

Know enough to be dangerous. I think with this little session we've just had, you know enough to be dangerous. That's what I hope we have accomplished today. You know enough now to put together a realitic advertising budget. You know you have to create an advertising plan to spend that budget. You know that creativity is key to penetrating that advertising pollution out there. It gets your customer's attention. You know that good media buying selection is essential for effective advertising. It should be done by professionals. Your job here is to take control of your advertising destiny. Hire the people to do the job best, they do it better than you. That's their job. Remember that advertising is not an expense. It's an investment in your business future.

I have one more chart to show you because it's one of my favorites. It's something to keep in mind when you advertise. "Keep it simple. Strike three. Get your hand off my knee. You're overdrawn. Your horse won. Yes. No. You have the account. Walk. Don't walk. Basic events require simple language. Idiosycratically euphuistic eccentricities are the promulgators of triturable obfuscation. What did you do last night? Enter into a meaningful romantic involvement -- or fall in love. What did you have for breakfast this morning? The upper part of a hog's hind leg, with two oval bodies encased in a shell layed by a female bird -- or ham and eggs. David Belasco, the great American theatrical producer, once said, `If you can't write your idea on the back of my calling card you don't have a clear idea.'"

# CREATIVE APPROACHES TO MARKETING STRATEGIES FOR ENTREPRENEURIAL VENTURES

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## ABSTRACT

Marketing strategy can be developed by thinking creatively about customers and how to better serve them. The development of strategic vision leads to providing direction for a business and guides its activities. The entrepreneur must play a leadership role in providing that direction.

## INTRODUCTION

In the simplest terms, a strategy provides a business with a sense of direction. It is knowing what needs to be done. The operation of the business is the implementation of the selected strategy. It is getting done what needs to be done. Strategy, therefore, guides business operation. The decision-maker judges proposed actions based on the consistency between the strategic direction and the action.

One difficulty in selecting a strategy originates in the many definitions of strategy. We are confronted with business strategy, competitive strategy, product strategy, pricing strategy, and so on. Each definition has its own focus; competitive strategy emphasizes the analysis of competitors, as the basis for strategy formulation. Systematic tools of analysis are also available to structure thinking in terms of the definition being used. Finally, basic strategy types are identified, usually as a set of strategy "boxes". The strategist, following this systematic process, can select a strategy from the available "menu" of choices.

### Strategic Thinking

Selecting the direction a business will take, however, is a choice process and should not be constrained by the limitations imposed by the small number of basic strategy types. In other words, strategy selection does not begin with available strategies, it "begins with the strategist's mind" (1, p. 246). While systematic tools of analysis can aid thinking, "the purpose of strategic analysis is insight, not numbers" (1, p. 258). Creative thought is needed, therefore, to think "outside" the basic strategy "boxes". As Ohmae points out, "it is the ultimate nonlinear thinking tool, the human brain" which must be used for "true strategic thinking" (2, p. 13).

One advantage of nonlinear thinking is the ability to link strategy and implementation in the thought process. Strategy without implementation (or direction without action) cannot be effective. Creative thinking which links knowing what to do with how to do it in the formulation of strategy creates a bond to guide business operations. Maintaining an effective link between the two is a continuous process in operating a business. A major difficulty in preserving this link in entrepreneurial ventures stems from the operational aspects of the business commanding extraordinary amounts of the entrepreneur's time. A crisis in cash flow, with people, or in production will drive strategic thinking into the background of the entrepreneur's mind.

## Marketing Strategy

The focus of marketing strategy is the customer, for, without a customer, there is no business. As Levitt states, "The purpose of a business is to create and keep a customer." (3, p. 5). The ability to attract and hold a customer over time is the cornerstone of business success. The importance of maintaining a continuing relationship with customers can be seen in the largest of firms. There is simply no way for McDonald's to sell multiple billions of hamburgers to only 240 million American's, without customers coming back.

The description of the basic types of marketing strategy use a customer focus by identifying a desired impact on customers. As presented by Guiltinan and Paul (4, p. 143), the four basic marketing strategies are:

- increasing the number of users
- increasing the rate of purchase
- retaining existing customers
- acquiring competitors' customers

Increasing the number of users refers to creating customers from those who do not buy a particular product. Household VCR ownership, for example, does not approach the level of ownership for televisions. An opportunity may exist to convert some of these nonowners into customers for a VCR.

Increasing the rate of purchase means either increasing the current customers' use of the product or getting customers to purchase the product more often. McDonald's, and other fast food restaurants, have increased customer purchasing by adding the breakfast menu along with expanded operating hours. The availability of a combination microwave and conventional wall oven encourages customers to replace existing ovens before they become unserviceable. The clothing industry has long used fashion changes to promote sales every season.

Customer retention and acquisition strategies acknowledge the competition for customers. For a business to acquire new customers, it may be necessary to convert a competitors' customers. These customers must be convinced of the better product, service, location, etc. that you offer. The retention strategy recognizes that your customers may gravitate to the competition or be lured away by a competitor's acquisition strategy that targets your customers.

This brief presentation of the basic types of marketing strategy is not intended to provide strategy "boxes" which inhibit strategic thinking. Rather, it is a way of identifying the current state of future customers, and the development of a customer-based strategy, as defined here, means thinking "customers".

## CUSTOMER-BASED STRATEGIES

The focus of customer-based strategy is customers, customers, customers. It is a process of developing creative answers to the basic question "how can my business create and keep a customer?". Addressing this basic question requires asking as many questions about customers, as the mind can create.

Various structures exist for examining customer types and their buying behavior, some quite formal. One difficulty with a formal structure is that it tends to structure thinking. Secondly, formal questions can lead to the idea that only through formal, and expensive, research can answers to these questions be found. A simpler approach is to use a set of question "types" to stimulate thinking about customers. My own set, with an apology to Rudyard Kipling, is:

WHO, WHAT, WHEN, WHERE, HOW, and WHY?

From this simple list, the idea is to create many questions. At face value, answers can be provided for each question with relative ease. A day care service for preschoolers, for example, could answer the question of "who buys?" as a household with one or more children under the age of five years. Such descriptors of the person or household most likely to be interested in a product will be useful in determining the number of potential customers. Likewise, the question of "what do they buy?" can be answered by a listing of products or brands, useful to identify competitors. The questions relating to "when?" (frequently or infrequently, regularly or as needed), "where?" (a particular type of store, by mail or telephone), "how?" (as part of a shopping or special trip, with cash or credit), and "why?" (to fill a need, relieve boredom, etc.) all have relatively easy answers at this level. To develop needed insight into customers, however, means asking many more questions.

### Creative Customer Thinking

Extending the question of "who buys?" to "who participates in the purchase decision?" can provide additional insight.

In selling office supplies, the manager would be the most likely "buyer". The office staff, however, would have a major influence on what is actually purchased. Identifying those who influence the purchase decision can lead to both a strategy for customer creation and an implementation. When 3M developed their "POST-IT Notes", they sent samples to the executive secretaries of the CEO's of the FORTUNE 500 companies. Seeing the product being used by the chief executive's office attracted the interest of the rest of the company. The use of such product samples, by an "influencer", can build more sales than the largest advertising budget.

Extending the question of "what do customers' buy?" beyond a basic listing of products or brands can be used to gain insight. Consider the following, attributed by Rolf White (5, p. 154) to an anonymous source:

> "You don't buy coal, you buy heat;
> You don't buy circus tickets, you buy thrills;
> You don't buy a paper, you buy news;
> You don't buy spectacles, you buy vision; ..."

The first part of each statement uses a product definition, the second part expresses the customer benefit. The product definition frequently fails to express the benefit received. Restated, customers always buy what they believe the product will do for them. One key revision of the form of this question, therefore, is "what does the customer expect from the product?". Taking every opportunity to listen to customers can provide answers in customer-defined terms. If your product can promise, and deliver, customer-defined benefits, customer creation becomes easier. Listening to customer complaints about currently purchased products (yours or competitors') can lead to defining the type of benefits your product could provide to attract customers.

Another way of asking a lot of questions is to append the word "else" to each of the six question types. "Who else might buy the product?", or "who else might influence the purchase decision?" are examples of questions which can be used to identify potential customers or influencers. For a day care service, parents who do not need a place for a child while they work, may be attracted by a program which offers less than a full day or is on less than a daily basis. Two or three days a week, half days, or short term programs might be used to attract this type of customer. For parents who work, local employers might be used to attract new customers. Providing the employer with a brochure describing your services to pass on to new employees might attract customers from among those parents changing jobs or entering the work force.

Asking "what else might customers buy?" can lead to ideas for new products to produce or stock. Selling a customer additional products not only enhances revenue, but forges better customer relationships, a retention strategy at work. You may be able to retain these customers for the additional products, even after their purchases of the original products cease.

Thinking about "where else they might purchase?" can change the basic distribution for a product line. Hanes did just that in the women's hosiery industry. When introducing their L'eggs panty hose, they passed up the existing channels of department and specialty stores and sold supermarkets and drug stores on the idea of stocking these products. Hanes did this by providing these stores (as one type of customer) with a superior delivery and inventory system, making it easy for the stores to stock the product line.

## Strategy Execution

One aspect of customer-based strategy is that it permits the development of an implementation along with the strategy. In thinking about customers, the human mind can integrate the strategy with activities designed to carry it out. Thinking "where else might a customer buy?" leads not only to a set of possible outlets, but to thinking about how such outlets could be used to gain customers.

A local "home-made" candy store may have used this type of thinking to develop additional customers for their business. Their store is located on a busy highway and the number of cars in the customer parking lot attests to their success in attracting customers to their business. Recently, however, they began to distribute their candy through the five or six local stores of a department store chain. To gain this distribution, they deliver the product directly to each store and provide the needed inventory on a replacement basis. The chain store (as a customer) must find this to be a very simple buying process. There is no need for a buyer to devote time to this product and inventory control is minimal. The store simply offers the product for sale to their customers. Interestingly, this is the Hanes strategy for distributing their products.

This example illustrates how ideas can be obtained from external sources. It is what Tom Peters calls "creative swiping" (6, p. 229) and Levitt calls "Innovative Imitation" (3, pp. 200-214). The point is, successful ideas can be put to work in a variety of businesses. The candy company may not have developed their idea from the Hanes example, but the Hanes idea existed and could have been transferred to the candy business. The key is to examine the success of others and apply their idea, with creative twists and turns, if needed, to your business. Even competitors can be a good source of ideas. A local physician's group practice, already offering extended hours for appointments (or making themselves available when the customers are available) and services (X-ray, diagnostic testing, etc.), has begun to offer weekend hours for walk-in medical care. This idea surely came from competitors who have positioned themselves as being in the no-appointment-necessary medical care business. An advantage for the group practice is that customers who are created by the weekend hours for emergency care may become regular customers of the practice. The ability to tie together ideas of strategy and execution revolving around customer thinking is the basis for creating effective marketing strategy.

## Strategic Vision

The advice to think creatively about customers, to study success, and to tie these together in a customer-based strategy and execution, is often easier said, than done. Frequently, the operational part of the business demands an exorbitant amount of the entrpreneur's time. A way of dealing with this problem is to develop a strategic customer vision.

The ability to think about customers, while paying attention to all other parts of the business, is not an easy task. The best advice I have seen on this subject requires drawing an analogy to my golf game, since the strategist offering the advice was Jack Nicklaus.

Playing a golf course for the first time is much like starting a business: every golf course has its share of hazzards, only the number and positioning change. My first experience with one particular course came with a playing partner who has much experience with this course. This should have been to my advantage; his advice should have made that first round easier. The advice you receive most often, however, is what not to do.

Long before I arrived at the course, I began to hear about all of the problems I would want to avoid: one and two are not too bad, but number three is nothing but trouble; there's a pond right off the tee, water all along the right side and trees down the left. I had been prepared well in advance to produce a disaster.

The day of our round, the first two holes went smoothly and I was well prepared, or so I thought, for the third hole. The layout matched my partner's description very well. With his final words of advice, "don't hit it in the pond", firmly in mind, I went to the tee and hit a ball which travelled no more than twenty yards before the splash. I now realize that there was no objective reason to hit the ball into the pond; I could have thrown the ball to the other side. I had done what my mind had been conditioned to do, however, to try to avoid the hazzard.

The seriousness of the concept of thinking about failure leading to failure is well described by Bennis and Nanus as the "Wallenda Factor" (7, pp. 69-79). It is named for Karl Wallenda, the tightrope walker, who fell to his death in 1978. According to Bennis and Nanus, Wallenda's wife reported that in the weeks leading up to his last attempt, his thoughts were focussed upon falling. So much did the objective of "not falling" take hold, that Wallenda personally supervised the installation of the tightrope for this walk, an activity which previously had been left to family members.

It was after my minor failure on the third hole that I discovered Jack Nicklaus' advice on golf. Simply, his advice is to pick a specific target and to visualize the target while you swing the club. To execute a golf swing, you cannot watch the target. But, thinking "target", lets you make the kind of golf swing which gets you there. You cannot avoid the pond, but you can land in the fairway. You think about the fairway, therefore, and not the pond.

The execution of customer-based marketing strategy involves thinking about customers as you carry out the many activities which let you create and keep customers. You think about what will make the business successful, as you work. You do not think about all of the things that you have been told can go wrong, because knowing what not to do does not provide direction. I have played the same golf course several times, since that first experience. Each time, I have managed to land the ball in the fairway. I cannot say that I have managed to avoid the pond.

## The "Better" Strategy

Maintaining the link between customer-based marketing strategy and execution is a continuous activity. You can think about customers as you wrestle with cash flow, production, or people problems and seek solutions which will have a positive impact on customers. One key thought, at this point, is to remember that customers always buy what they believe the product will do for them. Customers appreciate, and buy, what gives them the most satisfaction, on their own terms.

The real issue here is quality; not in the objective sense, but as the customer sees it. For over 15 years, the PIMS (Profit Impact of Market Strategy) Project has compiled a data base, now with some 450 corporations representing over 3,000 business units (8, p. vii). For most of the 15 years, the conclusion drawn from analyzing this data was that the higher the sales volume (thus, market share), the greater the success, as measured by standard financial results. The most recent results from the PIMS data base, however, show that, regardless of market share, "quality wins".

The process, as described in: (8, Chap. 6), is as follows: a high market share has little impact on the price charged for the product, but a high market share drives down the costs of providing the product. A high market share, therefore, does increase profitability. When the issue of "perceived relative quality" (measured in customer terms) is examined along with market share considerations, a high relative quality has little effect on costs, but the higher the relative quality, the higher the price charged. The ability to command a premium price for high perceived quality provides for the higher profitability.

The key conclusion from the PIMS Project is now "perceived relative quality of the total package" (8, p. 111) leads to success. Thus, a successful customer-based marketing strategy means providing the customer with a "better" package of benefits, with "better" being only what the customer thinks is "better". To a customer, "better" may be higher quality in materials or workmanship. "Better", however, may be no difference in the tangible product, but may be based on the personal service and attention provided by one seller. It may even be defined, by the customer, as receiving a sincere demonstration of appreciation for the purchase. When dealing with customer perceptions, even the smallest of differences may be the major difference in making the sale. Finding a relevant difference you could provide, means actively watching and listening to customers and continually thinking about them.

## Strategic Success

Part of the development of marketing strategy is a definition of success. Defining specific, measureable levels of results lets you determine the success of your strategy and execution.

There is no purely objective standard for success, however. I have heard executives of a major corporation define success in terms of a brand which generates $20 million in annual sales at the wholesale level. One of their competitors maintains successful brands with less than half of that wholesale sales volume. Like beauty, therefore, success is in the eye of the beholder. The important point, is to establish your standards for the business.

To be sure, no business can continue to operate, if revenues do not exceed costs, at least some of the time. The future of any business, from start-up to hundred-year-old, lies in the ability to retain and attract customers. Customers, after all, are the only revenue source for the business; therefore, the customer focus must be maintained.

I heard a story from a friend about an entrepreneur who was defining success as the ability to get an extra $100 from each customer. In a business where purchase prices are in the tens of thousands of dollars, this seemed perfectly reasonable to the entrepreneur. Applying customer-thinking, I defined success as the ability to give the customer an extra $100 in value, at no cost. Alternatively, could an extra $200 in value be provided at a cost of $100? Other combinations of values and costs might also lead to justifying the price increase and increased profit. This illustrates how customer-based thinking can lead to different ideas for defining and achieving success.

## STRATEGIC LEADERSHIP

A customer-based strategy creates direction for a business. Strategic vision keeps the focus on creating and retaining customers, while executing the strategy. Strategic leadership is the ability to make things happen to achieve the desired results. It is the application of creative thinking to remain flexible in a world of nonlinear change.

### Developing Strategic Leadership

A brief "case study" will illustrate how strategic leadership can be developed. I have had the opportunity to watch a small business operate, over a twenty year period. Like many entrepreneurial ventures, this business was begun based on the skills of the owner, a master plumber. The new venture focused on housing contractors as its principle customers and was based on the owner's experience working on jobs of this type. With this type of customer, the application of mechanical skills is primary. In this extremely price competitive market, it is the ability to perform the work quickly and correctly which creates and keeps customers. The faster the job can be completed, the lower the labor costs and the lower the price. Mistakes constitute hidden costs, since rework produces no revenue and keeps other revenue producing jobs from being started. The major operational detail is scheduling jobs around the building contractor's schedule, to provide continuous work. Being located in a high growth area, aided the development of the business and justified the decision to begin the venture.

With more jobs available than could be performed, the key to growth for this business was to acquire skilled mechanics. In a high growth area, however, such skills are not easy to attract, especially by a new, small business. The solution was to hire relatively unskilled helpers, with those demonstrating ability being encouraged to become apprentices and begin the long training program toward journeyman status. One obvious risk in this approach is attrition, with some dropping out and others leaving after receiving their training. The quality of strategic leadership, however, is to follow the selected direction, and several skilled mechanics developed through this process remain employed in the business.

During this time period, as more work could be performed by others, the owner turned some of his attention to learning more about the business of plumbing. Part of this learning process meant understanding the customer side of the business. This self-development enabled the owner to see the leveling off, and eventual decline in the construction market. The rise in interest rates and inflationary pressure was causing home buyers to be priced out of the market and was also slowing business construction. One possible response to this situation would have been to retain customers in this market by reducing job prices to obtain the remaining work.

The exercise of strategic vision, however, produced a different version of the future of the business. Rather than use common cut-throat pricing in a declining market, the search began for new customers. If new construction was down, then existing structures might house potential customers. The repair and remodeling customer, however, required basic changes in the way the business operated.

The same economic factors present in the new construction market were operating against the investment in trucks and inventory necessary to serve the new customers. The search for new customers had led in this direction, however, and the strategic vision associated with the creation of these customers dictated accepting the risk. The investment in inventory for the repair business would be large, since material requirements are not easily predicted. This investment, however, led to consideration of how additional customers could be created. The do-it-yourself market was growing and the financial strain of maintaining inventory was transformed into a retail business to serve additional customers. A competitive analysis would have indicated that the growth in the number of discount home centers would mean that a small business could not compete in this market against the chains. The "better" strategy for acquiring these customers was based on the advice a master plumber could offer the do-it-yourself customer.

As more of the owner's time was devoted to the retail business, more time became available to think about creating and serving customers. As the repair and remodeling business grew, the problem again became one of more work than could be performed. An easy answer might have been for the owner to perform some of the mechanical work, but the vision of how best to serve customers denied this approach. The solution was to make the mechanics more productive by having the owner do some of the nonmechanical work. Obtaining the necessary permits, dealing with suppliers, and assembling the materials for a job all contribute to making the mechanics more productive. This was in addition to all of the cost estimating for remodeling work. The customer desires knowing the price of the work in advance. Accurate cost estimates are critical to provide this contract price, since any errors could result in an operating loss for the job. While material costs are relatively easy to estimate, it is labor costs which make the difference. Any owner would wish to control this critical part of the business.

## Letting Go

Strategic leadership, then, is letting other people take care of important operational work so that the entrepreneur can devote time to the development of customer-based strategy through strategic vision. It takes courage to "let go" of those activities in which the entrepreneur played a major role in the start-up of the business. To pay close attention to customers and employ strategic vision, however, requires spending the time to aggressively listen and learn. It also requires time to apply creative thinking to new avenues for customer creation and retention.

Perhaps the toughest decision in the plumbing business was for the owner to "let go" of the critical task of cost estimation. While not all of the owner's cost estimates were accurate, a commitment to customers means honoring the contract price. Turning the cost estimates over to the mechanics had two positive benefits. First, the estimates were more accurate. The major reason for this may well be that when the mechanic estimates the time to do the job, he will work harder or a little longer to bring the job in on time. The second benefit is in customer satisfaction. It seems that customers value being able to discuss the work with the person who will actually be performing the work. The owner can still maintain customer contact by making the initial visit and showing up at the job. Having the "boss" visit is also valued by customers.

"Letting go" does not simply mean delegating the work. Part of strategic leadership is being able to share the vision of the future of the business with your people. This process lets everyone know what is important in executing customer-based strategy and defines everyone's role in its execution. Developing leadership is the theme of the Bennis and Nanus book (7) and is recommended reading. Create the time to create customers and develop the vision.

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# ENTREPRENEURSHIP EDUCATION FOR AMERICA'S YOUTH

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## ABSTRACT

Most of the states in this country have begun to explore ways to teach entrepreneurship as part of the vocational programs in high schools, two-year colleges and adult education programs. Some of the activities now underway in Ohio and Kentucky are presented here as representatives of the National Entrepreneurship Education Consortium, a group of over 30 states and territories that share their ideas to maximize overall results in entrepreneurship education.

## INTRODUCTION

Entrepreneurship education is one of the most exciting new challenges to vocational education programs across the United States today. People have traditionally thought of vocational education as a program to help the "less able" student get skills for an entry level job. We in vocational education know that we do much, much more for all kinds of students. In addition to gaining specific occupational skills, our students gain self-esteem, communications and human relations skills, motivation to gain additional education, and an understanding of the career opportunities most appropriate for each individual.

We are discovering that many of our graduates use their vocational skills to become self-employed. After all, self-employment is better than unemployment! When there is a need for job creation in a local area, what better way than to start your own business?

Vocational education is infusing entrepreneurship concepts in existing high school, postsecondary, and adult courses, either as part of the skill training program or as a separate course option.

At the National Center for Research in Vocational Education we organized a consortium of state vocational leaders to work together on this exciting new challenge. With me today are representatives from two states. They will discuss some of the approaches they are introducing to get entrepreneurship going in their states. There are over thirty states in the National Entrepreneurship Education Consortium whose representatives meet twice a year to share ideas. Our meetings focus on the unique ideas and activities of each state and we pass things back and forth. It is a wonderful opportunity to develop leadership within the education system and to have that kind of support from the states for expanding entrepreneurship education.

Sonia Price is the assistant to the vocational director in the state of Ohio and has been involved with entrepreneurship since 1983. She recognizes that introducing entrepreneurship is a change-agent role in vocational education. The mind-set has been strictly on training people for entry-level jobs. Self-employment training is a whole new perspective of vocational education.

### Sonia Price, Ohio Department of Education, Associate Director

Cathy stole some of my thunder because I was going to say we rightfully can be accused of training people for skills, often forgetting that those students may end up owning their own businesses. They may be the kind of persons who are highly stressed going to work for someone else.

I am very delighted that we have so many educators in the audience. You can see that, at least in Ohio, we are very serious about helping our vocational education students at different levels, from career education through adult education, to learn more about entrepreneurship as a career choice.

Back in 1983 the U.S. Department of Education came out with a policy statement that says:

> "The policy of the U.S. Department of Education is to encourage the inclusion of entrepreneurship as an integral part of vocational and adult education and support all endeavors which serve to increase the capacity of vocational and adult education to deliver education for entrepreneurship."

That was in 1983 under Terrell Bell as Secretary of Education. At that time Ohio started picking up some interest in entrepreneurship education.

I just happened to move into the administrative office then and the first chore I had was to respond to an RFP to support several states to develop a state task force on entrepreneurship. We did that in Ohio and it has been very worthwhile. The idea was to bring together state agencies, state trade associations, educational representatives from the state level, (career education through the university level) that were all interested in working with entrepreneurship. They have been a backbone to all of the entrepreneurship activities that we have carried on since 1983.

In a leadership role from the Ohio Department of Education, it really never dawned upon me that I was much like an entrepreneur. But Cathy kept saying, "Sonia's an entrepreneur, Sonia's an entrepreneur," and I believed it. When you stop to think about a leadership role, the persons that you want in this role have many of the characteristics of an entrepreneur: the initiative, because you want someone who is going to go out and try some new things; the optimism, (we certainly want that in our leaders); resourcefulness; risk-takers; foresight; leadership skills; versatility. So I would like to encourage you to think about yourselves as entrepreneurs in education if you are in a leadership role. I think those are the same types of attributes we need.

From that task force, then, many things have happened in Ohio since 1983. I am going to share some of those and zero in particularly on one of those activities because I think it will give you an idea of things that are happening.

I should start out by saying that we had no money for entrepreneurship education, so don't let that be a barrier. Resourcefulness is important for you in this role. It was an honor for us to be one of the states selected to have this project. And so, without even thinking where we were going to get any resources, we started in daydreaming and coming together.

As you might know, there is always turf when you start bringing state agencies and different levels of education together. We had to come together and think what one product we could start that would enable us to continue working as a team. What came out of that first meeting was the need for a resource directory that would be available for anyone working with entrepreneurship. And the purpose of it was that anyone doing anything with entrepreneurship education could use this resource guide. It didn't make any difference if you were the Small Business Administration or a retail merchant. It would be a way to pull resources together. That was our initial attempt to support entrepreneurship.

We decided that after we started some of these other activities it was then time to pick up some interests in local school districts. So we offered some innovative grant money, totally $75,000. This was not the first year, but down the path after I had proven that we could do some things. The $75,000 went out on RFPs to all the local school districts. We have what we call vocational education planning districts, and in those districts they could get up to $3,000 for any one or a combination of twelve different kinds of projects.

We identified what those projects would be. One area was special programs for females, gifted, and minorities; we felt that some of the districts probably could zero in on any of those targets--or all three of them and do something in the way of increasing their awareness about entrepreneurship.

The second one was international trade and this was not as popular as you can probably guess. Not too many of our teachers were interested in international trade, but we did have a few takers, particularly in Toledo since it is an exporting area. Those projects were to try to get students thinking about what it would be to export any of their entrepreneurial resources or entrepreneurial products.

The third of those twelve was games and simulations development. We had some of them develop software packages that they could use in their classes. One of the schools had the students apply for $50.00 mini-grants to help them develop a game or simulation. Marketing classes did a lot in this area in reproducing materials for the teachers to use and then sharing them.

One of the most popular projects was the media presentation. Under this project we asked the local schools to consider bringing back graduates of vocational education who are entrepreneurs and to do a media presentation. They have really gotten a lot of mileage from this. The maximum on that activity was $1,000 and that is a lot to accomplish with a meager $1,000. But we had many schools that made excellent videotapes to promote their schools.

We had an incubator feasibility study. We were encouraging our schools to start looking at the possibility of the school being an incubator site and then allowing some of our students who were already starting to become entrepreneurs to have access to space and bookkeeping and a secretary and that sort of thing.

The Young Entrepreneur Conference with leadership from local entrepreneurs was another popular one. Some of the schools had city-wide entrepreneur conferences. They brought in former graduates or well-known entrepreneurs in their community to share all kinds of experiences.

One of the schools also had a conference in which they brought back entrepreneurs from every occupational area. They made a real concerted effort to bring someone from printing, someone from food service, someone from all the different occupational areas so that the students could see that there is someone out there who has graduated from their school who is now a small business owner.

We developed young entrepreneur support groups. The idea behind this project is that you would have someone as a mentor in the community if you were interested in becoming a young entrepreneur. The project allowed you to network with someone in that area who could help get the business started based on real experience.

One of the schools, through its youth organization, developed a small business ownership club. Club members met every other month. They brought speakers in and established mentors. They did some video taping of graduates with that project, too.

The Entrepreneur Fair or Career Day was another activity. Most of our schools will have career days, but I venture to say that a lot of them never really stress entrepreneurship or the small business owner as a career option. This project allows them to concentrate upon bringing small business people in and sharing their business ideas.

Community-based promotional programs was another optional activity. This included anything that showed that the vocational education program in that community was concentrating on entrepreneurship. We had lots of brochures and newspaper articles. One of the schools found its graduates who are now entrepreneurs, blew up their pictures very large, and put them in the hallways of its vocational schools. This project effectively showed possible results of vocational education and encouraged others to think about small business opportunities. The community-based promotional program got lots of press, radio, TV and other publicity out of those grants.

The tenth option was a teacher in-service, allowing the schools to have some money to bring their teachers together to talk about entrepreneurship and how to infuse it in all types of vocational programs. We have offered some separate entrepreneurship courses, but my director feels that all vocational education teachers should start to infuse some of the activities related to entrepreneurship in their programs. This was an opportunity to give some leadership money, identify someone who would take the leadership in that school, and do an in-service with the teachers. We have a specific number of hours the teachers had to be involved to be sure there was adequate in-service.

We had teacher internships as another option. They would go out and shadow a small business operator and then come back and share with the other teachers what they had learned about running a small business.

All vocational programs have youth organizations that accompany our vocational programs that allow opportunities for entrepreneurship experiences. There we did student shadowing instead of teacher shadowing. We had the student shadowing some of the entrepreneurs in their area. Many took field trips with this money so they got students out into the business community.

Those were the first twelve project options offered in the first year of innovative grants. Ohio had 135 projects out of that year statewide. We told the school districts that if they accepted this money, (which was up to $3,000 for each vocational education planning district, and there were different amounts for each of those projects) they had to participate in a Showcase at the end of the year. The Showcase was to bring at least one representative from at least one of those projects from each of the school districts. The 35 school districts made a commitment to share the activities at the Showcase. We had a tremendous meeting with lots of roundtables where other educators could move around to hear about each school's projects. Teachers love to sit down at roundtables and grasp in twenty minutes the idea and move on to the next one. It was a very successful project.

We are doing innovative grants again this year. Another $75,000 went into just these projects. This is a way, with a limited amount of money, to reach a large number of schools.

In closing let me give you an idea of what a real pleasure it is to be working within the National Entrepreneurship Education Consortium. Sharing ideas between states is the real benefit of participating in a Consortium. We are extremely pleased and fortunate to have the leadership also that Cathy Ashmore provides us from the National Center for Research in Vocational Education at The Ohio State University.

Lou Perry, Kentucky Department of Vocational Education.

What I would like to do is share the good things that are going on in the business magnet school in Louisville, Kentucky. One of the things we have going on in Kentucky includes the curriculum development effort which Jamie Williams developed about a year ago, based on the fifty competencies identified by the small business owners. That's one effort.

We have initiated, just recently, the entrepreneurship education award system, identifying through our regional structure in the state, the different entrepreneurs from each of those sections of the state. We will then bring them together for a big ceremony and identify Kentucky's number one entrepreneur of the year. We are quite pleased about that.

We have our legislators in town at this time and they are considering a bill right now on an institute for entrepreneurship education. We look forward to seeing what happens as a result of that.

The program that was mentioned in Carrolton, Kentucky, is in its planning stage. The applied entrepreneurship education program there holds a lot of promise on how we teach entrepreneurship education, how we get students involved in the actual activities, and practical hands-on experience for entrepreneurship education. I have asked Joan Chambers, who is chairman of the department of Business Education at Central High School to tell you about entrepreneurship as part of the Louisville Business Management Entrepreneurship Career Magnet Program.

Joan Chambers, teacher of the Business Management Entrepreneurship Career Magnet Program.

Has anyone ever heard of Central High School? I didn't think so. Muhammad Ali graduated from Central High School and so did Greg Page--two famous boxers. It is a downtown innercity school and was once upon a time a predominantly black school. Through the past several years they have been trying to create programs to spread white students throughout the county. I happened to be in on the groundwork on several of the committees where a career magnet was established.

I am not the only one at Central High School in a career magnet. This is a new philosophy in Jefferson County. As a student finishes the eighth grade he/she is going to be able to specialize. If he wants the fine arts he can go to this school; if she wants some type of professional career, she can come to Central High School. We have four careers: legal/government, medical careers, computer technology, and then mine, business management/entrepreneurship.

You have to apply to come to my program. Every one of my students come from a different school in Jefferson County, which makes an interesting situation. Students must obtain a seven, eight, or a nine stanine on the Kentucky Central Testing which means they must be advanced or honor students. I am quite lucky.

I am a very excited person about my curriculum. I have been making it up as I go along and some things have worked and some have been a big disaster. I am an entrepreneur, I own my own business in my spare time, so therefore, that's really how I got the job. I have been teaching for eighteen years in the business department. I am going to share with you some of the things I have been doing in my magnet class, and I have brought all kinds of examples.

In my career magnet students start in the ninth grade at Central High School. You have to picture yourself way back in the ninth grade trying to make a career decision. I am trying to teach a ninth grader to think of entrepreneurship or business management. And these ninth graders are thinking, well, maybe Mom and Dad own their business, maybe

Grandmother, maybe Auntie or whoever it is. Now these are some of the reasons for their interest. Or maybe they have just heard of Mrs. Chambers and she sounds like she might not be too boring. Whatever the reason, this is the clientele of student that I am going to be working with. They come into my room in the ninth grade and I keep them only for nine weeks. They had to go through exploration of all options, legal/government, computer technology, medical careers and then they go through mine. We do a nine week rotation because we do not want to put too much pressure on the student. It gives them an overview of the program.

In nine weeks I give them their money's worth. I go over the curriculum at the beginning of the nine weeks and they just shake their head, "You have got to be kidding me." We have never failed yet. This is the second year and the seventh nine-week period that I have been teaching the program. Here is how this works. My freshmen come in. The very first thing I do is a simulation set from Southwestern Publishing called Pettysville, Ohio--I do a little improvising here because some things meet my needs, and some do not. Everybody works in this town and you own your own business. You own and manage a business. Each person is an integral part of each other's operation. You buy, you sell from each other, you hire, you fire, you correspond with people across town. I have a very nice situation, my room is extremely large so we are all spread out.

I find most of these kids have no concept of business. My students are very poor socio-economic students. They come from one-parent families, they come from unemployed families. I have very few students who even come from an average income family. They have brains, they have no leadership or guidance at home. What I am going to do is give them an idea of what is going on in the world.

Through this project, we are interacting and I find it gives them some needed business terminology. Ask somebody what owner's equity is. They have no idea. They have heard of assets, of course, but they do not know the correct term. By the time we finish this little project they do have some concept of the business terms. And I find it is a real educational experience for them and me. I have twenty-three students this quarter, and all twenty-three are doing something different all the time. It has been a very detailed learning situation. I learn every day and I have found that the project works really, really well for me as an introduction.

Secondly, I do what I call the Sandwich Shop. The Sandwich Shop is a computer simulation and a marketing approach. I have an IBM lab in my room, which is convenient. We work in teams and it becomes very competitive. You produce roast beef sandwiches, turkey sandwiches, egg salad, and ham and cheese in this simulation.

We start with the same net income, the same cash, and we buy our product. We buy from vendors, we produce and we advertise, and we buy new equipment. It is up to the individual after the first initial month to take off in different directions. The person making the most money makes the most bonus points. It becomes very competitive and they get some business skills. Enthusiasm really is created in this project. Also, everyone is doing something at a different time. It tests one's patience, I will have to admit.

My last project is my favorite. I have received a little bit of recognition over it. My superintendent, Dr. Emerson, is very supportive and helps me out. It is called "Build a Business." Right outside Central High School is a vacant lot. It is prime commercial property, and we decide we are going to build a business there. I try to instill the desire. Most of these people like doing things for themselves. They don't like a boss. They would be the perfect entrepreneur with some real leadership qualities. They decide what kind of a business, if they had the possibility of doing so, to build on this business site.

First of all, we take a trip to the bank. We have no capital. We take out a loan (of course, it's all fictitious). But, my students say, "Are we doing this for real?" No, this is not for real, we're not really going to build this. But the parents really get excited about this.

Next, we contact an attorney who does all of the legal work for us. If there are going to be partners, we draw up partnership agreements. If they are going to be a sole proprietor, we go through all the legal legwork. The Small Business Administration helps us out in giving us forms and documentation. The attorney helps us draw up these forms. That also is our connection to our legal magnet program, too.

Next, we decide what to do with the building. In the past it has been a Sparkle Car Wash, it has been a drive-thru bank, and it has been a filling station. Nothing has been very profitable. On one side there is a Wendy's, on another side there's a McDonald's. Across the street is a big corporation. We have to do some market surveys and analysis. I have made them really do market surveys. We ask people in the area, we ask parents, we ask other students depending on what type of business is planned. We do market research to figure out what would actually work in this particular business site.

After we have the market research, we contact an architect. They have the option to just plow this thing down, build something else, or to renovate depending on how much capital they want to invest. Many of them have decided to do with the existing structure. We go out, we stand on the corner, we count the cars going this way, we count the cars going that way, we have a one-way street on the side. They have no concept that this one-way street can affect people coming in here. We do a traffic flow pattern.

Now we have the market survey, we have a product, we have a building, we have the money, we can actually start the business. I do not go into the form of just actually producing the product. We are going through the steps of making the decisions to create a business. Last quarter we went down to the planning and zoning department. One student went back on her own, got out the specs for the building, did all the work, and has drawn up the plans with the architectural help. And this is only a ninth grader. And this is only done in a nine-week period.

I am just amazed at how much I have gotten out of these students and how excited they are. Their goal now is to own their own business and they are so excited. I have Mom and Dad who have never gone beyond an eighth grade education. This is the first child that has any potential of going any further. The students have set some goals for themselves. I don't know what percentage of entrepreneurs I am really going to have out of the class, but it is real, real exciting for them. My expectation is really high for these kids. I never, never settle for second best. I always pull everything out of them that I possibly can and so far have been quite successful. That is my first-year program.

At the ninth grade they have just finished my nine-week section and they have finished all the others. At the end of the ninth grade they have to make a career choice. It's just like declaring a major in college. "I want to go into business management/entrepreneurship." When they have made this decision, they stay with me the remainder of high school for all of their elective credits. They don't get to take advanced P.E., swimming, even an extra foreign language. All the electives are going to be spent with me. We might be real tired of each other by the time they graduate, but hopefully not.

My magnet II class this year has been quite rewarding. It is a very small class. I am teaching in a very, very, very unique situation and I realize that. I have taught every business subject there is in the state of Kentucky and never have I had the opportunity to teach something so exciting that gives me flexibility and support from the community. I have two bank presidents who work with me in supporting me. There are others, but those are some of the big corporations in downtown Louisville. I, in five minutes, can be at all of these locations. I can hop on the bus or I can walk, so I am close. Therefore, we are tapping into these resources. We are going to work under some of these entrepreneurs or some of the smaller accounting firms as mentors and the students are going to get paid minimum wage. They are just fifteen years old. These are experiences that no one else has had a chance to have. It is strictly an experiment.

My sophomores continually branch off from that to Build a Business project. They have to understand the financial make-up and how to read financial statements. We covered it in one semester. Other teachers told me I couldn't do it. But I did the whole book and my kids did a great job and their comprehension was great. My expectation levels were high.

Now we are doing an advertisement unit. We are in the process of making an advertisement for M-TV for New York Selzer. That was a project that was available to some of the business students. We are actually producing an advertisement, thinking of a company that you might have some day. This is giving them some actual experience plus they are all excited. I am convinced we are going to win this prize.

My students have been chosen by the superintendent in our vocational system to write a curriculum for the third grade in economic entrepreneurship. These are my tenth graders who are writing a curriculum that is going to be taught by a third grade teacher in the concepts of the way my students see entrepreneurship applied to the economy. We have already been teaching in the classroom at the elementary school and I have some news clippings on that. The newspaper and the TV have done a really good job supporting my program.

I live in a fishbowl. I am constantly being observed. I have people from the business world questioning whether they really want to support this or not. And always they are willing to help. I found that for entrepreneurship to be very successful in my management career magnet, I am really going to have to tap into some resources. I am constantly willing to learn. These resources that are available at Central High School and people who are coming in and helping me with my program are a constant learning experience for me. It is something I never dreamed I would have the opportunity to be involved with and I am enjoying it immensely. I have not even touched on all the things that I have been able to do in my classroom, but it is exciting and if you are ever in Louisville, Kentucky, I would just love to have you come and visit my classroom.

My entire class had perfect attendance for the year and I had three four-pointers. I am convinced that these students are really going to be leaders and some real good entrepreneurs.

I am real anxious to see what valuable contribution they are going to add to the state of Kentucky.

## SUMMARY

These are just a few examples of the many exciting new programs that are being created in local schools everywhere. We encourage educators to continue to find creative new ways to teach entrepreneurship to all American youth. It is important to find new ways to nurture the entrepreneurial spirit in this country--and to teach young people to think creatively.

# Trends in Incubator Developent

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# Management Assistance Strategies for Incubators

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## I. Trends in Incubator Development

This section discusses the current size, geographic distribution, age of small business incubators in the United States as of March, 1988. Knowing where incubators are located is obviously useful to entrepreneurs who are deciding where to locate a startup business. Economic development officials and incubator developers also need to know about the relative size and distribution of such facilities in order to make inferences about the demand for future facilities. In addition, analysis of incubator size, age, and distribution can suggest causes of their variation.

### The Data Set

The Office of Private Sector Initiatives (OPSI) of the United States Small Business Administration (SBA) maintains a relational database on small business incubators in the United States using Rbase V software published by Microrim, Inc. The data set contains the incubator's name, contact person, telephone, street address, city, state, zip code, leaseable square feet, and month and year opened. This data set is presented in Appendix 1. Since OPSI provides this data free of charge to the public in the form of The Small Business Incubator Directory incubator facilities inform SBA about their existance in an effort to expand their potential market. While not every incubator may be listed in the directory, when OPSI learns of a new facility an official of the incubator is contacted to see if they want to be listed in the directory. SBA is in good position to know about the emergence of incubators since SBA business development programs such as SCORE and SBDC are important to the success of both incubators and their clients.

### Geographic Distribution

Table 1 lists each state alphabetically and shows the number of incubators in each state and their rank by numbers of facilities. Table 2 lists states by rank along with their percentage of total facilities and the cumulative percentage of facilities. An inspection of this data reveals more than half of all facilities are located in the older industrial states, sometimes referred to as the "rust belt". In particular, two states Pennsylvania and Illinois emerge as the major locations for incubators. Of the many possible explanations for this development it appears that generous state funding for incubator development is a primary factor in encouraging their growth.

Table 1.

State Incubator Distribution

|  | State | # | Rank |
|---|---|---|---|
| 1 | AL | 3 | 18 |
| 2 | AR | 1 | 31 |
| 3 | CA | 2 | 24 |
| 4 | CO | 4 | 14 |
| 5 | CT | 3 | 18 |
| 6 | FL | 3 | 18 |
| 7 | GA | 2 | 24 |
| 8 | IA | 4 | 14 |
| 9 | ID | 1 | 31 |
| 10 | IL | 24 | 2 |
| 11 | IN | 8 | 7 |
| 12 | KS | 1 | 31 |
| 13 | KY | 1 | 31 |
| 14 | LA | 1 | 31 |
| 15 | MA | 5 | 10 |
| 16 | MD | 3 | 18 |
| 17 | MI | 15 | 3 |
| 18 | MN | 9 | 5 |
| 19 | MO | 4 | 14 |
| 20 | MS | 2 | 24 |
| 21 | MT | 1 | 31 |
| 22 | NC | 5 | 10 |
| 23 | NE | 1 | 31 |
| 24 | NH | 3 | 18 |
| 25 | NJ | 4 | 14 |
| 26 | NM | 3 | 18 |
| 27 | NY | 9 | 5 |
| 28 | OH | 11 | 4 |
| 29 | OK | 6 | 9 |
| 30 | OR | 2 | 24 |
| 31 | PA | 33 | 1 |
| 32 | RI | 1 | 31 |
| 33 | SC | 5 | 10 |
| 34 | SD | 1 | 31 |
| 35 | TN | 2 | 24 |
| 36 | TX | 2 | 24 |
| 37 | UT | 1 | 31 |
| 38 | VA | 1 | 31 |
| 39 | VT | 2 | 24 |
| 40 | WA | 8 | 7 |
| 41 | WI | 5 | 10 |
| 42 | WV | 1 | 31 |
|  |  | 206 |  |

Table 2.

State Incubator Numerical Share

| State | # | Rank | Cumulative Share |
|---|---|---|---|
| PA | 33 | 1 | 16.0 |
| IL | 24 | 2 | 27.7 |
| MI | 15 | 3 | 35.0 |
| OH | 14 | 4 | 41.7 |
| MN | 9 | 5 | 46.1 |
| NY | 9 | 5 | 50.5 |
| IN | 8 | 7 | 54.4 |
| WA | 8 | 7 | 58.3 |
| OK | 6 | 9 | 61.2 |
| MA | 5 | 10 | 63.6 |
| NC | 5 | 10 | 66.0 |
| SC | 5 | 10 | 68.4 |
| WI | 5 | 10 | 70.9 |
| CO | 4 | 14 | 72.8 |
| IA | 4 | 14 | 74.8 |
| MO | 4 | 14 | 76.7 |
| NJ | 4 | 14 | 78.6 |
| AL | 3 | 18 | 80.1 |
| CT | 3 | 18 | 81.6 |
| FL | 3 | 18 | 83.0 |
| MD | 3 | 18 | 84.5 |
| NH | 3 | 18 | 85.9 |
| NM | 3 | 18 | 87.4 |
| CA | 2 | 24 | 88.3 |
| GA | 2 | 24 | 89.3 |
| MS | 2 | 24 | 90.3 |
| OR | 2 | 24 | 91.3 |
| TN | 2 | 24 | 92.2 |
| TX | 2 | 24 | 93.2 |
| VT | 2 | 24 | 94.2 |
| AR | 1 | 31 | 94.7 |
| ID | 1 | 31 | 95.1 |
| KS | 1 | 31 | 95.6 |
| KY | 1 | 31 | 96.1 |
| LA | 1 | 31 | 96.6 |
| MT | 1 | 31 | 97.1 |
| NE | 1 | 31 | 97.6 |
| RI | 1 | 31 | 98.1 |
| SD | 1 | 31 | 98.5 |
| UT | 1 | 31 | 99.0 |
| VA | 1 | 31 | 99.5 |
| WV | 1 | 31 | 100.0 |
|  | 206 |  |  |

To date Pennsylvania has made $25.9 million in state monies available to communities which must be met by a local match which is approximately 50%. Thus at least $53.8 has been spent for incubator development, not counting federal funding. Illinois has spent $6 million of state monies on incubators. For a discussion of state programs supporting the development of incubators see Overview of State-Supported Incubator Programs: A 1988 Update, published by the the National Conference of State Legislatures, 1050 17th St., Denver, CO 80265. The cost for this report is $5.00.

Economic factors such as high unemployment rates or high vacancy rates in commercial properties might be considered as predictors of incubator development as communities attempt to reverse these unfavorable conditions through sponsorship of incubators. However the data suggest that the states with the highest rates of incubator development are not the states with the highest unemployment rates or the highest commercial vacancy rates.

Table 3 ranks states by unemployment rates for 1986 and compares them to the number and rank of incubators in a given state starting with the state with the lowest unemployment rates. The national unemployment rate is also placed in the listing to permit state comparisons to the national average. High incubator states have unemployment rates below or close to the national averages but considerably below states with very high unemployment and relatively few incubators. The ten states with the greatest number of incubators are generally in the middle of the distribution suggesting that neither high or low unemployment has a lot to do with incubator formation.

Virtually all of the industrial states which tend to be leaders in the development of incubators have had excess industrial capacity as downsizing and restructuring has occurred across America. While the high incubator states presumably have had an abundant supply of vacant sites which can be easily converted into incubators some states with well known real estate problems have not been aggressive in incubator development. While industrial vacancy rates would be the ideal measure of incubator potential data does not appear to be available.

As a limited proxy commercial vacancy data by city is presented to see if there is any relationship to incubator development. Table 4 shows average commercial space vacancy rates from 1980 to 1987 by major cities. Examining recent vacancy rates might suggest economically hard hit areas such as Dallas and Houston would have a high number of incubators given the desire by real estate owners to lease them notwithstanding the more marginal nature of

Table 3.

## Unemployment Rates Compared To Incubator Participation

| State | Unemployment Rate | Unemployment Rank | Incubator Number | Incubator Rank | |
|---|---|---|---|---|---|
| NH | 2.8 | 1 | 3 | 18 | |
| MA | 3.8 | 2 | 5 | 10 | * |
| CT | 3.8 | 2 | 3 | 18 | |
| RI | 4.0 | 4 | 1 | 31 | |
| DE | 4.3 | 5 | | | |
| MD | 4.5 | 6 | 3 | 18 | |
| VT | 4.7 | 7 | 2 | 24 | |
| SD | 4.7 | 7 | 1 | 31 | |
| HA | 4.8 | 9 | | | |
| NE | 5.0 | 10 | 1 | 31 | |
| NJ | 5.0 | 10 | 4 | 14 | |
| VA | 5.0 | 10 | 1 | 31 | |
| ME | 5.3 | 13 | | | |
| MN | 5.3 | 13 | 9 | 5 | * |
| NC | 5.3 | 13 | 5 | 10 | * |
| KS | 5.4 | 16 | 1 | 31 | |
| FL | 5.7 | 17 | 3 | 18 | |
| GA | 5.9 | 18 | 2 | 24 | |
| NV | 6.0 | 19 | | | |
| UT | 6.0 | 19 | 1 | 31 | |
| MS | 6.1 | 21 | 2 | 31 | |
| SC | 6.2 | 22 | 5 | 10 | * |
| NY | 6.3 | 23 | 9 | 5 | * |
| ND | 6.3 | 23 | | | |
| CA | 6.7 | 25 | 2 | 24 | |
| IN | 6.7 | 25 | 8 | 7 | * |
| PA | 6.8 | 27 | 33 | 1 | * |
| AZ | 6.9 | 28 | | | |
| IA | 7.0 | 29 | 1 | 31 | |
| WI | 7.0 | 29 | 5 | 10 | * |
| USA | 7.0 | | | | |
| CO | 7.4 | 31 | 4 | 14 | |
| TN | 8.0 | 32 | 2 | 24 | |
| IL | 8.1 | 33 | 24 | 2 | * |
| MT | 8.1 | 33 | 1 | 31 | |
| OH | 8.1 | 33 | 14 | 4 | * |
| OK | 8.2 | 36 | 6 | 9 | * |
| WA | 8.2 | 36 | 8 | 7 | * |
| OR | 8.5 | 38 | 2 | 24 | |
| AR | 8.7 | 39 | 2 | 24 | |
| ID | 8.7 | 39 | 1 | 31 | |
| MI | 8.8 | 41 | 15 | 3 | * |
| TX | 8.9 | 42 | 2 | 24 | |
| WY | 9.0 | 43 | | | |
| NM | 9.2 | 44 | 3 | 18 | |
| KY | 9.3 | 45 | 1 | 31 | |
| AL | 9.8 | 46 | 3 | 18 | |
| AK | 10.8 | 47 | | | |
| MS | 11.7 | 48 | 2 | 24 | |
| WV | 11.8 | 49 | 1 | 31 | |
| LA | 13.1 | 50 | 1 | 31 | |

Table 4

### No. 1236. Office Buildings—Vacancy Rates, 1980 to 1987, and Status of Supply, 1987, by Major City

[As of December; except 1987, as of June. Excludes government owned and occupied, owner-occupied, and medical office buildings]

| CITY | VACANCY RATE FOR EXISTING SPACE (percent) | | | | | | | | SUPPLY STATUS, 1987 (mil. sq. ft.) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Existing space | | Space under construction | |
| | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | Total | Available for lease | Total | Available for lease |
| **Total** [1] | **4.6** | **5.4** | **11.0** | **13.5** | **15.5** | **18.9** | **18.6** | **19.3** | **1,667.4** | **321.3** | **117.1** | **83.6** |
| Atlanta, GA | 10.0 | 13.6 | 16.8 | 13.7 | 14.5 | 21.0 | 20.1 | 21.3 | 67.8 | 14.4 | 6.1 | 4.6 |
| Baltimore, MD | 7.2 | 3.2 | 5.9 | 6.4 | 11.9 | 11.5 | 15.9 | 19.4 | 22.5 | 4.4 | 2.7 | 1.6 |
| Boston, MA | 3.8 | 4.7 | 7.8 | 4.4 | 8.9 | 13.1 | 13.0 | 12.9 | 92.6 | 11.9 | 7.0 | 5.6 |
| Charlotte, NC | (NA) | (NA) | (NA) | (NA) | 16.7 | 16.7 | 15.5 | 15.1 | 14.2 | 2.1 | 1.7 | .9 |
| Chicago, IL | 7.0 | 6.4 | 6.9 | 12.6 | 14.8 | 16.5 | 19.6 | 18.2 | 165.2 | 30.0 | 13.3 | 9.7 |
| Cleveland, OH | 9.7 | (NA) | 6.7 | 17.1 | 14.7 | 18.1 | (NA) | (NA) | (NA) | (NA) | (NA) | (NA) |
| Dallas, TX | 8.6 | 8.4 | 18.6 | 21.5 | 18.7 | 23.0 | 30.9 | 30.1 | 112.7 | 34.0 | 6.0 | 2.6 |
| Denver, CO | 6.6 | 4.1 | 22.6 | 24.1 | 20.6 | 24.7 | 25.1 | 25.3 | 66.0 | 16.7 | 1.1 | .9 |
| Fort Worth, TX | (NA) | (NA) | (NA) | (NA) | 24.1 | 22.5 | 24.7 | 26.2 | 20.0 | 5.2 | 1.8 | .5 |
| Hartford, CT | 6.7 | 7.8 | 7.3 | 18.5 | 17.4 | 15.3 | 12.9 | 12.1 | 17.7 | 2.1 | 1.9 | 1.5 |
| Houston, TX | 4.0 | 7.6 | 20.3 | 26.9 | 25.0 | 27.6 | 30.6 | 32.0 | 148.3 | 47.5 | .5 | .3 |
| Kansas City, MO | 4.2 | 6.7 | 12.4 | 15.7 | 18.6 | 16.2 | 18.2 | 20.0 | 28.8 | 5.8 | 1.6 | .6 |
| Los Angeles, CA | .9 | 5.5 | 12.3 | 14.0 | 20.4 | 15.3 | 13.2 | 14.8 | 151.2 | 22.4 | 13.8 | 11.7 |
| Miami, FL | 2.4 | 5.0 | 6.3 | 14.0 | 18.2 | 20.9 | 25.2 | 27.0 | 27.2 | 7.3 | .7 | .3 |
| New Orleans, LA | (NA) | 3.7 | 7.4 | 19.0 | 22.4 | 21.8 | 25.5 | 24.8 | 22.7 | 5.6 | .4 | .4 |
| New York, NY [2] | 3.1 | 3.6 | 4.9 | 5.0 | 6.8 | 7.9 | 8.9 | 11.3 | 217.0 | 24.5 | 9.2 | 5.9 |
| Philadelphia, PA | 6.3 | 5.7 | 12.8 | 9.6 | 9.0 | 14.5 | 15.5 | 16.5 | 51.8 | 8.5 | 5.7 | 3.7 |
| Pittsburgh, PA | 1.2 | 2.8 | 7.1 | 7.8 | 14.2 | (NA) | 12.0 | 15.0 | 34.8 | 5.2 | 2.7 | 1.6 |
| San Diego, CA | (NA) | (NA) | 25.3 | 22.9 | 21.8 | 24.7 | 25.4 | 24.4 | 26.2 | 6.4 | 1.9 | 1.4 |
| San Francisco, CA | .4 | 4.2 | 7.3 | 11.3 | 9.0 | 13.7 | 16.6 | 14.5 | 49.9 | 7.2 | 3.1 | 2.3 |
| Stamford, CT | (NA) | (NA) | (NA) | (NA) | 18.9 | 15.6 | 21.4 | 27.3 | 28.5 | 7.8 | 2.5 | 2.0 |
| Tampa, FL | (NA) | (NA) | (NA) | (NA) | 23.9 | 23.9 | 24.1 | 22.0 | 23.8 | 5.2 | 2.0 | 1.2 |
| Washington, DC | 2.5 | 1.7 | 6.3 | 7.2 | 9.6 | 9.0 | 13.6 | 13.8 | 125.3 | 17.2 | 18.1 | 14.9 |
| White Plains, NY | (NA) | (NA) | (NA) | (NA) | 23.2 | 23.7 | 22.7 | 22.0 | 24.0 | 5.3 | .5 | .5 |

NA Not available. [1] Includes other cities not shown separately. In 1987, 32 cities were covered. [2] Refers to Manhattan.

Source: The Office Network¹, Houston, TX, 1980-1985, *National Office Market Report*, semi-annual; thereafter, *International Office Market Report*, semi-annual. (Copyright.)

Source: Stastical Abstract of the United States, 1988

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incubator tenants. Incubator development does not appear to have a strong relationship with commercial real estate vacancy rates. Texas is not aggressive in the incubator area whereas cities below the national vacancy rate such as Chicago and Pittsburgh are quite prodigious developers of incubators. While these interpretations are quite limited by the data it tends to show that incubators are not a response to a real estate problem, but more likely to be a governmental response to enhance the economic climate. While the data base does not identify which incubators are funded by the government SBA case studies have noted that most incubators have some sort of governmental funding.

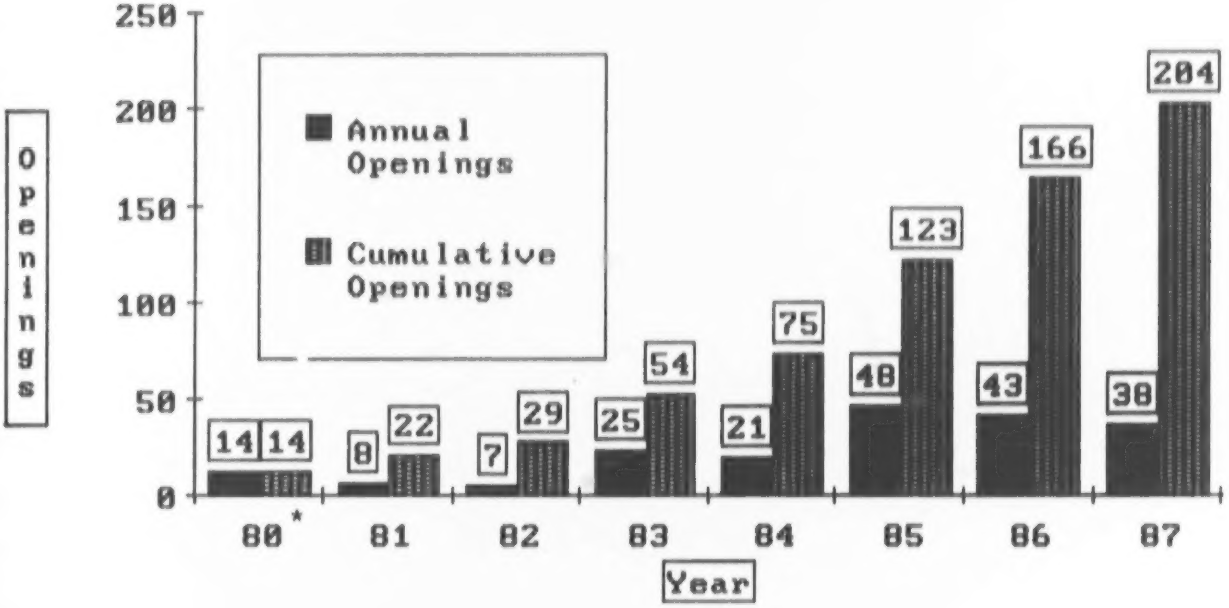
## Age Distribution

Chart 1 shows the number of facilities opened prior to 1980 and the annual number opened for each year there after. These figures do not include incubators who have opened and closed their doors in this time frame. It also shows the cumulative growth of incubators. While there has been significant growth in the number of incubators, the net rate of annual growth of these facilities has slowed as a relatively constant number of new facilities is added to an expanding base and some incubators go out of business.

## Size Distribution

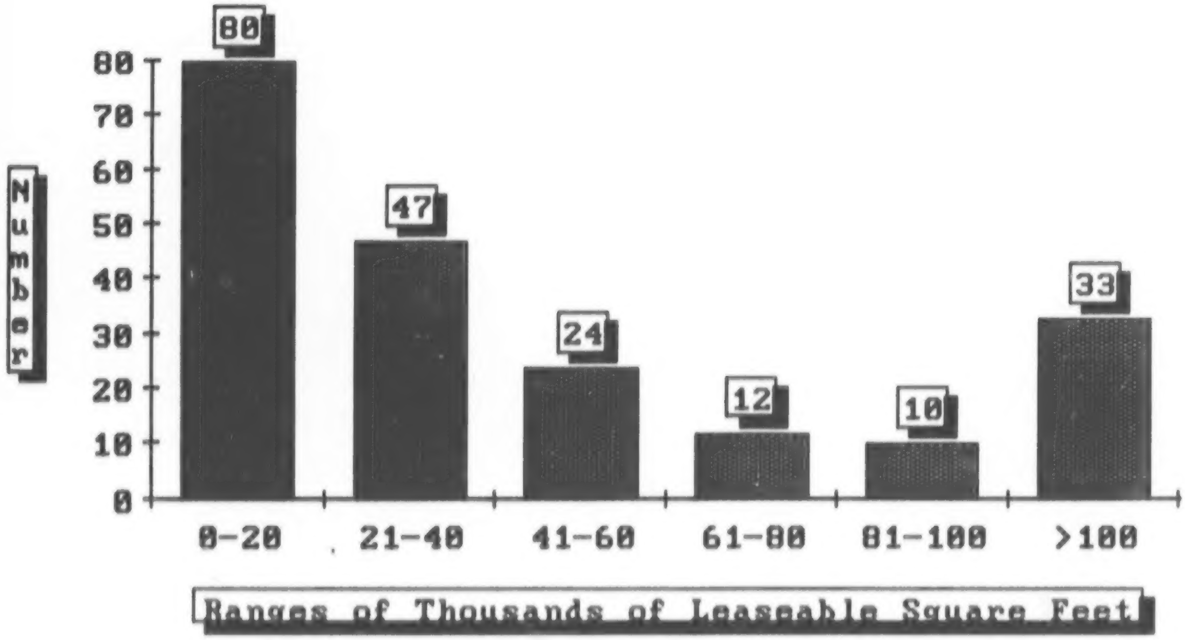
Chart 2 shows the number of incubators by ranges of leaseable square feet. Incubators are most heavily distributed under twenty thousand square feet. Chart 3 shows the cumulative share or percentage of incubator sizes in ranges of leaseable square feet. Nearly forty percent (38.8%) of all incubators are 20,000 square feet or less. Most (84%) incubators are a 100,000 leaseable square feet or less with the remainder (16%) over that amount. A question about this data is whether the scale economies normally associated with incubator facilities can be achieved with full time managers who provide technical and managerial assistance to incubator tenants. Since qualified mangers can receive salaries of forty to sixty thousand dollars allocating their salary to tenants' rents can add two to three dollars a square foot to annual rental rates. Thus at the smallest incubators it may becomes difficult to provide such services and keep rents low without a subsidy.

Chart 1, Net Annual Incubator Openings and Cumulative Growth

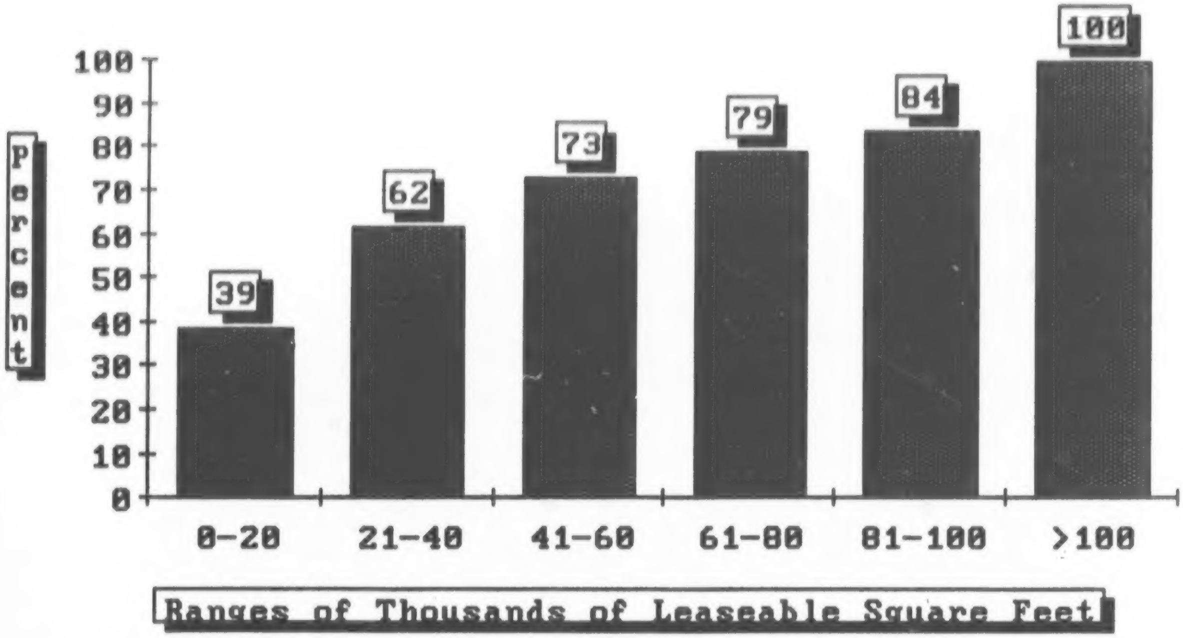


* Includes prior years and 1980

## Chart 2, Size Distribution of Incubators



## Chart 3, Cumulative Share of Incubators



## Incubators In Perspective

Most incubator space is appropriate for light manufacturing or assembly. Total leaseable space of incubators in the SBA data base is 18 million square feet. According to a Department of Energy study Characteristics Of Commercial Buildings (1983) the average square feet per worker of assembly type buildings is 914 square feet Thus if all incubators were operating at full capacity (which they are not) and used the average amount of assembly space per worker then total employment of incubators would be 19,700.

Obviously 19,700 workers is not very significant in an economy with total employment of 112 million workers. Thus policy makers need to be cautious about the potential of incubators as a job creation mechanism. Even as a percentage of unemployed workers (7 million) incubator employment represents only .3% of this sector.

Does this suggest that incubators should not be given serious consideration as an economic development tool? Probably not, since in some rural settings a couple of dozen jobs is significant, whereas they would hardly be noticed in a large city. In smaller towns incubator results are likely to be more dramatic as several dozen new jobs created by the incubator can represent an important development in the community and can enhance its viability. One strategy to arrest the economic decline in rural areas would be to facilitate the creation of incubators.

Given the small percentage of commercial space incubators represent they are only likely to serve a small fraction of the total demand for space of start up businesses. Since their contribution to the supply of space for small start ups is limited what can be said about the larger role of incubators in the community? Perhaps the most important function of an incubator in a community is that it represents a symbol of equality of opportunity. That is, individuals may pursue their own "American dream" of owning their own business. This is an important American value that underlies the tremendous support for small business in this country and one that communities are interested in preserving. An incubator serves as a statement to existing and prospective businesses that the community is interested in the continued success of its' businesses not only for their own sake but for the societal value of equality of opportunity small business represents.

## II. Management Assistance Strategies for Incubators

One of the critical issues facing incubators is how to provide quality technical and management assistance to their tenants. Incubator rental charges vary from significantly below market to slightly above market rates and these rates may or may not include management advisory services. Incubator budgets, particularly where governmental entities are involved, frequently have operating subsidies which in part underwrite on-site management assistance. None the less, quality management services are expensive and incubator managers must be creative in developing low cost management services by leveraging resources to assist their clients.

### SCORE

Under SBA's Service Corp of Retired Executives (SCORE) program some 12,000 retired executives counsel small businesses for free through some 400 chapters throughout the United States. Some incubators provide free space for SCORE volunteers to conduct their training and counseling services to small business. This approach not only helps small businesses both in and outside of the incubator but also generates favorable publicity for the incubator, an obviously important component of an incubator's marketing effort.

### Small Business Development Centers

In addition, there are over 500 Small Business Development Centers (SBDCs) and subcenters located primarily on University Campuses. The SBDC program, 50% funded by SBA, provides training and counseling to small businesses by University faculty and outside consultants. Some SBDC subcenters are located in incubators, particularly University sponsored or related incubators. While most of the SBDC counseling is directed primarily to clients outside the incubator having no cost on site counselors available to incubator tenants is a marketing and management plus.

### Accounting and Law Firms

Some accounting law and firms have identified incubators, in particular high technology incubators, as an important source of prospective clients. For there own marketing reasons these firms are willing to provide pro bono or reduced rates for their legal or accounting services, especially to high growth potential firms. Accordingly, incubator managers may wish to exploit this by negotiating favorable, but optional service contracts for tenants in exchange for either free or reduced rent space and/or exclusive agency to the incubator.

## Equity Participation by Incubator Managers

Some incubators require that tenants give a percentage of the business to the incubators as a form of compensation either in lieu of or in addition to rent. One way to encourage incubator managers to be effective advisors and/or their reduce the salary costs is to give these managers equity incentives as part of their compensation. As a partial owner of the business the incubator manager is likely to work harder to insure the success of the business. An advocate or champion with a stake in the outcome of the business the incubator manager is also more likely to be more effective than a non owner because of the incentive effects of ownership. This approach can create conflicts of interest since the incubator manager serves as both an owner (principal) and advisor (agent) to the business. As an advisor his required objective judgement may clouded by his ownership interests. At a minimum incubators requiring equity interests from the entrepreneur should fully disclosure and discuss the kinds of conflicts arising from the incubator manager acting as both advisor to and owner in the business. Alternatively incubators might wish to sell separate management advisory contracts. These contracts would provide for the same sorts of services as a "Champion", but the compensation would be for cash instead of stock. Compensation would be based on achievement of measureable accomplishments. This approach would decrease the potential for conflicts and at a minimum could should be an option in incubators that require equity from their tenants.

## Community Colleges

Many community colleges serve the small business sector by providing courses on entrepreneurship and training in small business sector industries. Some community colleges have sought to expand their entrepreneurship training mission by providing incubator space to their students. In this case the provider of management assistance is providing the incubator space rather than the incubator providing management assistance. Alternatively municipalities along with the local community college have jointly sponsored incubators. Either approach provides mechanism low cost, convenient management assistance to the entrepreneur.

## Incubator Substitutes

The incubator option is probably not available to most start-up situations. To date there are approximately 4000 companies in 206 incubators yet there are over 600,000 incorporations annually. Lack of incubator facilities may due to a variety of factors such as lack of affordable buildings in a particular area, no community exposure to the incubator concept, and demand for incubator space exceeding supply. Notwithstanding these considerations prospective entrepreneurs can try to capture the benefits of an incubator through arrangements that approximate the benefits of an incubator.

The primary benefits of an incubator are synergy and economies of scale. Synergy implies that companies working together in cooperative actions is likely to result in greater output or success than working independently. Exchanging ideas, advice, or contacts is likely to be very beneficial to the nascent entrepreneur but developing the means to do so can be difficult. Possible options include:

o Connect with other entrepreneurs through Chambers of Commerce, Venture Capital Clubs, Venture Fairs, Enterprise Forums and other network mechanisms.

o Volunteer to be on the Board of Directors of a few small businesses and invite other entrepreneurs to be on your Board. Availability or affordability of directors and officers liability insurance may preclude this option. Alternatively, these same people could be paid or unpaid informal business advisors.

Economies of scale means lowering unit costs by spreading fixed costs over a larger number of units. For example, if a copying machine costs $3,000 for the occasional use of one business person then the unit costs could be reduced to $1,000 if three businesses could share the use of the machine. Incubator can provide full service facilities through the use of economies of scale. Here are some options to take advantage of scale economies independent of an incubator:

o Approach manufacturers of related but non-competing product lines to see if they have excess capacity or square footage.

o Contract out office support functions.

o Form coops to take advantage of quantity discounts. Consider joint venture activities.

o Trade services with other start up businesses.

o Sublease space from service firms with excess space. Negotiate for some of the same support services that could have provided by the incubator.

## Appendix 1

| INCUBATOR | CONTACT | PHONE | STREET ADDRESS | CITY | STATE | ZIP | SQ.FT. | OPENED |
|---|---|---|---|---|---|---|---|---|
| Birmingham Business Assistance Network | Susan Matlock | 205-250-8000 | 1801-1st Ave. So., Suite 333 | Birmingham | AL | 35233 | 10. | 03/87 |
| Ctr. for the Advancement of Developing Industries | Martin R. Tilson, Jr | 205-934-2190 | Univ. of AL at Birmingham | Birmingham, | AL | 35294 | 23. | 10/86 |
| Business Innovation Center, Inc. | E. Lynn Stacey | 205-433-2224 | 2000 Old Bay Front Drive | Mobile | AL | 36615 | 20. | 03/87 |
| Genisis Engineering Experiment Station U. Arkansas | Jerry Seiff | 501-575-2151 | 422 Administration Building | Fayetteville | AR | 72701 | 11. | 10/86 |
| West End Investments | Ted Dutton | 714-983-9601 | 334 North Euclid Avenue | Ontario | CA | 91762 | 218. | 07/85 |
| Lancaster Economic Development Corp. | Vern Lawson | 805-945-2741 | 104 East Ave. K4, Suite A | Lancaster | CA | 93534 | 30. | 02/85 |
| Denver Growth Center, Inc. | Rick Garcia | 303-296-9400 | 3003 Arapahoe Street | Denver | CO | 80205 | 47. | 07/87 |
| w b Bridges | Janis Fairchild | 719-599-7761 | 6755 Earl Dr.., Suite 105 | Colorado Spring | CO | 80918 | 3.2 | 12/87 |
| Business and Technology Center | Marty Wilcoxson | 303-546-1133 | 301 North Main Street | Pueblo | CO | 81002 | 25. | 09/84 |
| Fremont County Business Development Corp. | Addison L. Dyer | 303-275-8601 | 402 Valley Road | Canon City | CO | 81212 | 14. | 09/87 |
| Ansonia Technology Park | Leo J. Russo | 203-735-7461 | 497 East Main Street | Ansonia | CT | 06401 | 36. | 02/85 |
| Science Park Development Corporation | Ronni Rabin | 203-786-5000 | 5 Science Park | New Haven | CT | 06511 | 260. | 09/83 |
| Bridgeport Innovation Center | R. Mark Van Allen | 203-336-8864 | 955 Connecticut Avenue | Bridgeport | CT | 06607 | 275. | 09/85 |
| Lake County Small Business Incubator | Bruce Staff | 904-787-3747 | 307 Magnolia Avenue | Eustis | FL | 32726 | 5. | 12/86 |
| Biomedical Research & Innovation Ctr, Miami Campus | Murray Dubbin | 305-373-3606 | Florida International Univ. | Miami | FL | 33199 | 6. | 09/86 |
| Florida Atlantic Innovation Center | Ramesh Krisnaiyer | 305-776-1257 | Florida Atlantic University | Boca Raton | FL | 33431 | 1.4 | 09/86 |
| Advanced Tech. Devel. Ctr., GA Inst. of Technology | Richard T. Meyer | 404-894-3575 | 430 10th St. NW, Suite N 116 | Atlanta | GA | 30318 | 83. | 07/80 |
| Macon-Bibb County Industrial Authority | W.T. Moody, III | 912-741-8014 | Allied Ind. Park, 600 Guy Paine Rd. | Macon | GA | 31206 | 27. | 03/87 |
| ISIS Center | Darlene Gluck | 515-296-9900 | ISIS Center #101 | Ames | IA | 50011 | 8. | 02/86 |
| Golden Circle Center for Business Developmnent, Inc. | Wayne R. Haines | 515-964-6361 | 2010 S. Ankeny Boulevard | Ankeny | IA | 50021 | 60. | 02/86 |
| Black Hawk County Economic Devel. Committee, Inc. | Donald Wade . | 319-235-0311 | 209 West 5th Street | Waterloo | IA | 50701 | 5. | 06/84 |
| University of Iowa Technology Innovation Center | W. Bruce Wheaton | 319-353-4063 | #109 TIC-Oakdale Campus | Iowa City | IA | 52242 | 30. | 07/84 |
| Idaho Innovation Center | Barry R. Brooks | 208-523-1026 | 457 Broadway | Idaho Falls | ID | 83402 | 10. | 09/86 |
| The Technology Innovation Center Northwestern Univ | Jim Currie | 312-491-3740 | 906 University | Evanston | IL | 60201 | 13. | 07/86 |
| South Suburban Enterprise Center | Bill Markle | 312-633-4200 | 1700 Union Ave | Chicago Heights | IL | 60411 | 80. | 08/87 |
| The Technology Enterprise Center | Richard Krilich | 312-333-3900 | 400 E. Sibley Blvd. | Harvey | IL | 60426 | 80. | 06/87 |
| Des Plaines River Valley Enterprise Zone | Joseph Dobranich | 815-723-7888 | 303 Mound Road | Rockdale | IL | 60435 | 30. | 06/85 |
| Enterprise Place | Bill Markle | 312-633-4200 | 335 North Ashland Avenue | Chicago | IL | 60607 | 32. | 02/85 |
| Fulton-Walnut Center | June Lavelle | 312-421-3941 | 2009-45 West Fulton | Chicago | IL | 60612 | 68. | 05/87 |
| Fulton-Carroll Center for Industry | June Lavelle | 312-421-3941 | 2023 West Carroll Ave. | Chicago | IL | 60612 | 340. | 10/80 |
| Chicago Technology Park | Nina Klarich | 312-829-7252 | 2201 W. Campbell Park Drive | Chicago | IL | 60612 | 56. | 05/87 |
| Bradley Industrial Park | Jeff Bennett | 815-933-2537 | P.O. Box 845 | Bradley | IL | 60915 | 30. | 01/83 |
| Highland Business Center | Judie Klaas | 815-235-6121 | 2998 West Pearl City Road | Freeport | IL | 61032 | 6. | 09/85 |
| Small Business and Technology Center | Bobbi Muncey | 815-625-5255 | 1741 Industrial Drive | Sterling | IL | 61081 | 24. | 01/87 |
| Reed Chatwood Business Center for New Technology | Weiland Akerman | 815-968-6833 | 1220 Rock Street | Rockford | IL | 61101 | 150. | 07/82 |
| Rock Island Small Business Incubator | Dale Horneck | 309-793-3350 | 1528 3rd Avenue | Rock Island | IL | 61201 | 39. | 07/86 |
| The Enterprise Center of the Quad Cities | Duane Olivier | 309-762-0690 | 1630 Fifth Ave. Suite 830 | Moline | Il | 61265 | 45. | 08/87 |
| Business and Technology Center | Barbara Nirenburg | 309-344-2233 | 2101 Windish Drive | Galesburg | IL | 61401 | 9. | 02/87 |
| Business and Technology Center Western Il Univer. | Kim Pierce | 309-837-4684 | Seal Hall-Room 117, Box 6070 | Macomb | IL | 61455 | 10. | 10/84 |
| Business and Technology Center Maple City | Kay Titchenal | 309-734-8544 | 620 South Main Street | Monmouth | IL | 61462 | 56. | 08/85 |
| Bradley Technology Incubator | Roger Luman | 309-677-2852 | Bradley University, Institute & Main | Peoria | IL | 61625 | 32. | 08/86 |
| Shetland Properties Incubators | Andrew Lapin | 312-921-5400 | 5400 West Roosevelt | Chicago | IL | 61650 | 2000. | 07/78 |
| Sponsored Research Incubator Building | Ken Harris | 217-244-7742 | Univ. of IL, 57 Mumford Hall | Urbana | IL | 61801 | 7. | 09/87 |
| Electronic Decisions, Inc. | Craig Webster | 217-367-2600 | 1776 E. Washington Street | Urbana | IL | 61801 | 15. | 02/87 |
| Business and Technology Center | Dennis McConaha | 217-398-5759 | 701 Devonshire Drive | Champaign | IL | 61820 | 44. | 09/82 |
| Quincy Business and Technology Center | Larry Highland | 217-228-5500 | 301 Oak Street | Quincy | IL | 62301 | 41. | 05/87 |

| INCUBATOR | CONTACT | PHONE | STREET ADDRESS | CITY | STATE | ZIP | SQ.FT. | OPENED |
|---|---|---|---|---|---|---|---|---|
| The Decatur Industrial Incubator | Cam McKinney | 217-422-2200 | 2121 U.S. Route 51 South | Decatur | IL | 62521 | 122. | 11/86 |
| 1st Indianapolis Bus. Ctr E Side Comm. Investments | Larry Smith | 317-633-7303 | 3228 East 10th Street | Indianapolis | IN | 46201 | 7.2. | 05/85 |
| Regional Growth Enterprises, Inc. | Karen Tyler | 317-636-1753 | 1321 North Meridian St.,#206 | Indianapolis | IN | 46202 | 15. | 08/85 |
| Indianapolis Center for Advanced Research | Thomas Franklin | 317-262-5000 | 611 N. Capitol | Indianapolis | IN | 46204 | 30. | 06/70 |
| Business and Technology Center | Threse Fink | 219-282-4340 | 300 North Michigan Street | South Bend | IN | 46601 | 63. | 09/84 |
| Indiana Enterprise Center, Ltd. Partnership | Graham Richard | 219-426-5700 | 1830 Wayne Trace | Ft. Wayne | IN | 46803 | 50. | 04/86 |
| Columbus Enterprise Development Center | Kurt Ellis | 812-379-4041 | 4920 N. Warren Drive | Columbus | IN | 47203 | 34. | 07/86 |
| Business Innovation Center of South-Center Indiana | J. Mike Brooks | 812-332-1111 | 1821 West 3rd Street | Bloomington | IN | 47401 | 10. | 04/85 |
| Inventure Inc. | Stanley Thompson | 317-497-1108 | 129 E Cumberland Ave, Box 2378 | West Lafayette | IN | 47906 | 7. | 01/86 |
| Quest Center for Entrepreneurs, Inc. | Richard French | 316-668-8468 | 1 East Ninth Street | Hutchinson | KS | 67501 | 28. | 09/87 |
| Ashland Business Center | Bob Ash | 606-324-3690 | 1325 Greenup Ave. | Ashland | KY | 41101 | 40. | 01/85 |
| Northeast Louisiana Incubation Center | Gerald McDonald | 318-343-2262 | Rt. 3 Box 182 | Monroe | LA | 71203 | 28. | 08/86 |
| Chicopee Development Corp. | Jeff Ritter | 413-592-4731 | 91 Church St-The Bellamy House | Chicopee | MA | 01020 | 43. | 04/86 |
| Massachusetts Biotechnology Research Institute | Gloria Doubleday | 617-797-0500 | 365 Plantation St. | Worcester | MA | 01605 | 17. | 11/87 |
| J. B. Blood Bldg., Lynn Ofc. of Econ. Devel. Ctr. | William Kyriakakis | 617-581-9399 | One Market Street, Suite 4 | Lynn | MA | 01901 | 110. | 10/84 |
| Wadsworth Village | Frederick Schaeffer | 617-777-4602 | 130 Centre Street | Danvers | MA | 01923 | 34. | 02/83 |
| 128 Entrepreneur's Center | Petie Hilsinger | 617-890-2834 | 200 Fifth Avenue | Waltham | MA | 02154 | 30. | 07/87 |
| Technology Advancement Program | Norman Schiff | 301-454-8827 | University of Maryland | College Park | MD | 20742 | 15. | 05/85 |
| Watson & Taylor Business Center | Gary Ferguson | 301-899-0878 | Suite 200, 9244 East Hampton Dr. | Capitol Heights | MD | 20743 | 77. | 09/86 |
| Business and Technology Center | Ben Mason | 301-367-1600 | 2901 Druid Park Drive | Baltimore | MD | 21215 | 82. | 10/82 |
| Executive Suites, Inc. | Les Hall | 207-883-4500 | 20 Mussey Road | Scarborough | ME | 04074 | 9. | 04/88 |
| Southfield Business Incubator Center | Carol Killion | 313-557-1226 | 18977 West Tenn Mile Rd #200 | Southfield | MI | 48075 | 4.5 | 05/86 |
| Ann Arbor Innovation Center | Karen .Schlanderer | 313-662-0550 | 912 North Main Street | Ann Arbor | MI | 48104 | 13. | 12/64 |
| DDC Innovation Center | Fred Zorn | 313-281-0700 | 15100 Northline | Southgate | MI | 48195 | 27. | 03/83 |
| Metropolitan Center for High Technology | Charles Henderson | 313-963-0616 | 2727 Second Avenue | Detroit | MI | 48201 | 168. | 08/84 |
| Flint Community Development Corp. | Bobby Wells | 313-239-5847 | 708 Root St. Room 325A | Flint | MI | 48503 | 60. | 09/86 |
| Business and Technology Center | John Dunn | 517-753-3636 | 406 North Hamilton | Saginaw | MI | 48602 | 80. | 02/82 |
| Delta Properties TPI Warehousing | Bruce Langlois | 517-485-9172 | 1305 South Cedar Street | Lansing | MI | 48910 | 270. | 09/85 |
| Kalamazoo Enterprise Center | Thom Coder | 616-345-3311 | 225 Parsons Street | Kalamazoo | MI | 49007 | 160. | 06/85 |
| Center for Business Development | Gary Moe | 616-683-1833 | 1105 North Front St., Box 585 | Niles | MI | 49120 | 55. | 03/85 |
| Albion Business Center | Price Burges | 517-629-3926 | 1104 Industrial Boulevard | Albion | MI | 49224 | 19.5 | 10/84 |
| Manufacturing Resource and Productivity Center | Joe Galloway | 616-796-0461 | Ferris State College | Big Rapids | MI | 49307 | 66. | 03/85 |
| Delta Properties Industrial Leasing Corp. | Joel J. Langlois | 616-451-2561 | 470 Market S.W. | Grand Rapids | MI | 49503 | 2800. | 07/85 |
| Monmorency County Industrial Incubator | William Utt | 517-785-4762 | P.O. Box 415 | Atlanta | MI | 49709 | 66. | 05/85 |
| So Industrial Incubator-c/o Econ Dev Corp of SSM | J. F. Hendricks | 906-635-9131 | 1301 Easterday Avenue | Sault S. Marie | MI | 49783 | 62. | 04/83 |
| Skill Center Incubator | Richard Anderson | 906-227-2406 | Northern Michigan University | Marquette | MI | 49855 | 2. | 06/85 |
| Business and Technology Center | Connie Hansen | 612-292-2693 | 245 East 6th Street | St. Paul | MN | 55101 | 330. | 10/79 |
| Small Bus. Incubator Dept. of Planning & Econ Dev. | Teresa Sterns | 612-228-3310 | 25 West 4th Street | St. Paul | MN | 55102 | 20. | 03/84 |
| Empire Builder Business Developoment Center | Jim Wold | 612-228-3400 | 23 Empire Drive | St. Paul | MN | 55103 | 8. | 01/87 |
| Energy Technology Center | Bruce Warmuth | 612-642-3010 | 1450 Energy Park Drive | St. Paul | MN | 55108 | 194. | 10/83 |
| St. Paul Small Business Incubator | Robert Kessler | 612-292-1577 | 2325 Endicott St. | St. Paul | MN | 55114 | 20. | 10/83 |
| University Technology Center | David Jasper | 612-379-3800 | 1313 Fifth Street, S.E. | Minneapolis | MN | 55414 | 100. | 07/83 |
| Business and Technology Center | Jeff Sandberg | 612-375-8066 | 511-11th Avenue South | Minneapolis | MN | 55414 | 200. | 05/81 |
| Science and Technology Research Center | Jim Babcock | 507-537-7441 | Southwest State University | Marshall | MN | 56258 | 7. | 09/85 |
| Business and Technology Center | Fred Neff | 218-751-6480 | B1270 Nielsen Ave SE, Box 428 | Bemidji | MN | 56601 | 5. | 11/82 |
| St. Louis Technology Center | Gene Boesch | 314-534-2600 | 10 S. Broadway | St. Louis | MO | 63110 | 15. | 09/85 |

| INCUBATOR | CONTACT | PHONE | STREET ADDRESS | CITY | STATE | ZIP | SQ.FT. | OPENED |
|---|---|---|---|---|---|---|---|---|
| Center for Business Innovation | Bill Reisler | 816-561-8567 | 4747 Troost | Kansas City | MO | 64110 | 35. | 06/85 |
| Missouri Ingenuity,, Inc. | Bruce T. Maier | 314-882-2822 | T-16 Research Park | Columbia | MO | 65211 | 1.8 | 06/85 |
| Missouri IncuTech Foundation | John Burst | 314-364-8570 | Route 4, Box 519 | Rolla | MO | 65401 | 6. | 10/83 |
| The New Building Workspace for Women (MACE) | Marilyn Hansell | 601-335-3523 | 119 South Theobald Street | Greeneville | MS | 38701 | 15. | 10/85 |
| Jackson Enterprise Ctr-Battlefield Prk Indus Compl | Richard Acker | 601-352-0957 | 931 Highway 80 West | Jackson | MS | 39204 | 40. | 04/87 |
| Butte Business Center | Jim Kambich | 406-723-4061 | 305 West Mercury Street | Butte | MT | 59701 | 14. | 01/87 |
| Business and Technology Corporation | Walton Jones | 919-777-3600 | 1001 S. Marshall Street, Box 45 | Winston Salem | NC | 27101 | 126. | 04/86 |
| Hillsborough Business Center | Dolly Hester | 919-732-1488 | P.O. Box 1418 | Hillsborough | NC | 27278 | 350. | 02/83 |
| Dillard Building, Inc. | Geneva Hamilton | 919-734-0621 | P.O. Box 1917 | Goldsboro | NC | 27533 | 34. | 06/67 |
| Reg Small Bus Incu Fac-Roanoke-Chowan Tech College | George Horstmann | 919-332-5921 | Route 2, Box 46-A | Ahoskie | NC | 27910 | 20. | 03/86 |
| Small Business and Industry Center | Bob Croft | 704-456-3737 | 100 Industrial Park | Waynesville | NC | 28786 | 16. | 01/86 |
| Business and Technology Center | James Thele | 402-346-8262 | 2505 North 24th Street | Omaha | NE | 68110 | 29. | 01/86 |
| New Ventures North | Michael Russell | 603-752-2541 | 148 Pleasant Street | Berlin | NH | 03570 | 2. | 10/87 |
| Roan-Thayer Incubator | Carl F. Long | 603-646-2851 | Thayer School, Dartmouth College | Hanover | NH | 03755 | 1.5 | 07/87 |
| Roan of UNH Incubator | James D. Morrison | 603-862-1997 | Horton Social Center, U. of NH | Durham | NH | 03824 | 1..8 | 11/87 |
| Bus. Incubator & Tech. Transfer NJ Inst. of Tech. | Henry Mauermeyer | 201-596-3124 | 240 Dr. Martin Luther King Jr. | Newark | NJ | 07102 | 40. | 09/86 |
| Roan of UMDNJ Incubator | Richard J. Ash | 603-644-6100 | 30 Bergen St. | Newark | NJ | 07107 | 1. | 12/87 |
| Innovative Results, Inc., The Entrepreneur's Mall | Marsha Allen-Collins | 609-345-0099 | 1414-16-18 Atlantic Avenue | Atlantic City | NJ | 08401 | 30. | 04/86 |
| Princeton Capital Corporation | Walter F. Fullman | 609-924-7614 | P.O. Box 384 | Princeton | NJ | 08540 | 2. | 06/50 |
| New Mexico Business Innovation Center | Jeffrey Nathanson | 505-345-8668 | 3825 Academy Parkway South NE | Albuquerque | NM | 87109 | 16. | 07/85 |
| Los Alamos Small Business Center | Jim Greenwood | 505-662-0001 | P.O. Box 715 | Los Alamos | NM | 87544 | 25. | 01/85 |
| Hobbs Business Incubator | Harold Lampe | 505-397-2039 | P.O. Box 1376 | Hobbs | NM | 88240 | 50. | 06/85 |
| South Bronx Development Organization | Jeffrey Stern | 212-289-3587 | 1529 Courtland Avenue | Bronx | NY | 10451 | 60. | 09/83 |
| Rensselaer Polytechnic Institute Incubator Center | Mark P. Rice | 518-276-6658 | 1223 Peoples Ave. | Troy | NY | 12181 | 43. | 07/80 |
| Greater Syracuse Business Incubator Center | Sam Williams | 315-475-8456 | 1201 East Fayette Street | Syracuse | NY | 13210 | 23. | 01/86 |
| Broome County Industrial Incubator | Robert Max | 607-772-8212 | 109 Main St. | Johnson City | NY | 13902 | 27. | 03/79 |
| Erie County Industrial Development Agency | Jo Nasoff | 716-856-6525 | 424 Main St-Ste 300-Liberty Bl | Buffalo | NY | 14202 | 87. | 07/86 |
| Western New York Technology Development | Robert J. Martin | 716-831-3472 | 2211 Main Street, Building C | Buffalo | NY | 14214 | 10. | 06/84 |
| New Opportunity Development | Peter Maddalena | 716-781-1020 | c/o Eastman Kodak-343 State St | Rochester | NY | 14650 | 30. | 06/85 |
| Riverside Industrial Incubator | Lawrie Taylor | 716-664-3262 | 200 Harrison Street | Jamestown | NY | 14701 | 200. | 10/87 |
| Cornell University Real Estate Department | Sara Beth Canaday | 607-255-7315 | Box DH - Real Estate | Ithaca | NY | 14853 | 70. | 09/81 |
| Business and Technology Center | Pam Mormile | 614-294-0206 | 1445 Summit Street | Columbus | OH | 43201 | 18. | 06/84 |
| River East Building | Don Monroe | 419-698-2310 | 615 Front Street | Toledo | OH | 43605 | 120. | 09/83 |
| Business and Technology Center | Linda McGurk | 419-255-6700 | 1946 North 13th Street | Toledo | OH | 43624 | 195. | 07/81 |
| Center for Venture Development | Dorothy Baunach | 216-229-9445 | 1100 Cedar Avenue | Cleveland | OH | 44106 | 21.5 | 04/86 |
| Cleveland Small Business Incubator | John C. Ellsworth | 216-451-4747 | 1145 Galewood Dr. P.O. Box 10440 | Cleveland | OH | 44110 | 57. | 05/87 |
| Barberton Incubator | Gary Shimun | 216-753-6611 | 576 West Park Avenue | Barberton | OH | 44203 | 30. | 11/84 |
| Akron-Summit Industrial Incubator | Mike Lettere | 216-253-7918 | 100 Lincoln Street | Akron | OH | 44308 | 44. | 04/83 |
| Columbiana County Small Business Incubator | Kathy Wayte | 216-426-4311 | 93 James Street East | Palestine | OH | 44413 | 30. | 01/87 |
| Stark Development Board, Inc. | R.J. Knight | 216-453-5900 | 800 Savannah Avenue, N.E. | Canton | OH | 44704 | 43. | 07/86 |
| Mansfield-Richland Industrial Incubator | James F. Reilly | 419-525-1614 | 157-193 N. Main Street | Mansfield | OH | 44902 | 20. | 11/86 |
| Miami Valley Regional Business Incubator | J. Paul Bowling | 513-767-1424 | 800 Livermore Street | Yellow Springs | OH | 45387 | 30. | 02/85 |
| Springfield Technology Center | Norma Trimmer | 513-322-7821 | 300 East High Street | Springfield | OH | 45502 | 12. | 09/85 |
| Springfield Incubator | Derrell Herring | 513-324-7674 | 76 East High Street | Springfield | OH | 45502 | 12. | 09/85 |
| Innovation Center-Ohio University | Dinah Adkins | 614-594-6682 | One President Street | Athens | OH | 45701 | 40. | 08/83 |
| Lansing Center Incubator Tulsa Innovation Ctr., Inc. | Marian Brown | 918-583-5152 | 1216 N. Lansing, Suite A | Tulsa | OK | 74106 | 14. | 02/86 |

| INCUBATOR | CONTACT | PHONE | STREET ADDRESS | CITY | STATE | ZIP | SQ.FT. | OPENED |
|---|---|---|---|---|---|---|---|---|
| Noble Ctr for Advancing Tech External Educ Linkage | Mike Hensley | 918-756-6211 | OSU Technical Branch | Okmulgee | OK | 74447 | 2.4 | 01/87 |
| Industrial Incubator-Kiamichi Area Vo-Tech School | Karl Scifres | 918-426-0940 | Box 308 | McAlester | OK | 74502 | 4.8 | 09/80 |
| Industrial Incubator-Kiamichi Area Vo-Tech School | Jim Kellogg | 405-889-7321 | Atoka Campus, Box 220 | Atoka | OK | 74525 | 6. | 09/81 |
| Industrial Incubator Rural Enterprises Incubator | Steve R. Handy | 405-924-5094 | 10 Waldron Drive | Durant | OK | 74701 | 75. | 07/83 |
| Industrial Incubator-Kiamichi Area Vo-Tech School | R.C. Smith | 405-326-6491 | 107 South 15th | Hugo | OK | 74743 | 4.8 | 07/81 |
| Cascade Business Development Center | Horace Saunders | 503-244-6111 | 573 North Killingsworth-PCC | Portland | OR | 97215 | 20. | 03/82 |
| High Tech Sales | Daniel Doyle | 503-523-4458 | 3720 Tenth Street | Baker | OR | 97814 | 14. | 02/85 |
| SPEDD Incubator -Vanport | Robert Meeder | 412-935-6122 | 327 S. Walnut Street | Vanport | PA | 15009 | 18. | 07/86 |
| SPEDD Incubator-Glassport | Louis Viddic | 412-931-1240 | 5th & Allegheny Streets Box 117 | Glassport | PA | 15045 | 375. | 07/84 |
| SPEDD Incubator-New Kensington | Robert Newman | 412-931-1771 | 1330 Fifth Avenue | New Kensington | PA | 15068 | 25. | 07/86 |
| SPEDD Incubator-Wexford | Robert Meeder | 412-931-1771 | 12330 Perry Highway, P.O. Box 216 | Wexford | PA | 15090 | 35. | 07/82 |
| SPEDD Incubator-Wexford | Robert Meeder | 412-935-6122 | 12300 Perry Highway | Wexford | PA | 15090 | 31. | 07/85 |
| McKeesport Incubator | Tony Palamone | 412-675-5049 | 201 Lysle Boulevard | McKeesport | PA | 15132 | 38. | 07/87 |
| Boulevard Building Incubator | Peter Smerd | 412-431-7377 | South 6th Street | Pittsburgh | PA | 15203 | 60. | 07/87 |
| Henry-Street University Technology Development Ctr | Beth Brestensky | 412-683-3239 | 4516 Henry Street | Pittsburgh | PA | 15213 | 36. | 04/83 |
| Small Business Incubator of Indiana | Robert Nossen | 412-357-2179 | 650 S. 13th Street, Robertshaw Ctr | Indiana | PA | 15701 | 120. | 03/86 |
| North Central PA Regional Planning & Devel. Comm. | Ron Kuleck | 814-773-3162 | P.O. Box 488 | Ridgeway | PA | 15853 | 223. | 09/83 |
| Opportunities Without Limits, Inc. | Ed R. Ajay | 814-535-7891 | 301 Academy Street | Johnstown | PA | 15906 | 20. | 01/85 |
| Pullman Center | Robert Meeder | 412-238-0601 | 601 Hansen Avenue | Butler | PA | 16001 | 150. | 07/87 |
| Greenville Business Incubator | James Lowry | 412-588-1161 | 12 North Diamond Street | Greenville | PA | 16125 | 26. | 04/85 |
| Venango Area Industrial Complex | James P. Nordstrom | 814-432-4476 | c/o City Hall | Franklin | PA | 16323 | 110. | 06/85 |
| Meadville Industrial Condominium | Victor Leap | 814-724-2975 | 628 Arch Street | Meadville | PA | 16335 | 250. | 06/83 |
| Liberty Street Market Place | Richard Weekland | 814-726-2400 | 1733 Market St. Estension Box 547 | Warren | PA | 16365 | 30. | 10/83 |
| Model Works Industrial Commons | Damon Homich | 814-774-9339 | 227 Hathaway Street East | Girard | PA | 16417 | 60. | 01/83 |
| Altoona Area Incubator | George W. Closson | 814-949-2030 | 6th Avenue & 45th Street | Altoona | PA | 16602 | 18. | 05/85 |
| Matternville Business and Technology Center | Edward Jepson | 814-234-1829 | P.O. Box 8071 | State College | PA | 16803 | 8. | 09/83 |
| Shippensburg Area Manufacturing Center | Lloyd A. Trinklein | 717-532-5509 | 75 West King Street | Shippensburg | PA | 17257 | 10. | 06/86 |
| Cyber Center | Thomas Ulmer | 717-846-2927 | 1600 Pennsylvania Avenue | York | PA | 17404 | 51. | 05/85 |
| Cooperative Resources Improving Business | E. Ray Shadday | 717-327-1857 | 1307 Park Avenue | Williamsport | PA | 17707 | 40. | 09/86 |
| The Penn Center | Harold W. Sweeney | 717-893-4130 | 110 East Bald Eagle Street | Lock Haven | PA | 17745 | 1.1 | 11/84 |
| Northeast Tier Advanced Technology Center | Mark S. Lang | 215-758-5210 | #125 Murray H. Goodman Campus | Bethlehem | PA | 18015 | 15. | 05/83 |
| Homer Research Laboratory Incubator | Robert Thompson | 215-861-0584 | South Mountain Drive | Bethlehem | PA | 18015 | 19. | 10/83 |
| Montgomerville Technology Enterprise Center | Loren A. Schultz | 215-646-7800 | 1060 Route 309 | Montgomeryville | PA | 18936 | 20. | 09/76 |
| Crozer Mills Enterprise Center | Abby Chahe | 215-874-5555 | 600 Upland Avenue | Upland | PA | 19015 | 40. | 10/86 |
| River Bridge Indus. Center-Delaware County Dev Ctr | William Tancredi | 215-566-2225 | 602 East Baltimore Pike | Media | PA | 19063 | 600. | 03/83 |
| University City Science Center | Gordon Carlisle | 215-387-2255 | 3624 Market Street | Philadelphia | PA | 19104 | 900. | 07/67 |
| Business and Technology Center | Gwendolyn Johnson | 215-879-8500 | 5070 Parkside Avenue | Philadelphia | PA | 19131 | 246. | 10/83 |
| Hunting Park West Parters | William Harrington | 215-877-6900 | 502 Wayne Avenue | Philadelphia | PA | 19144 | 85. | 04/84 |
| Paoli Technology Enterprise Center | W. Brian Sundermeir | 215-251-0505 | 19 East Central Avenue | Paoli | PA | 19301 | 42. | 10/84 |
| Lansdale Business Center | Jean Vandergrift | 215-855-6700 | 650 North Canon Avenue | Lansdale | PA | 19446 | 55. | 07/81 |
| Richmond Square Business and Technology Center | Leslie Schein | 401-521-3000 | One Richmond Square | Providence | RI | 02906 | 20. | 06/84 |
| Business and Technology Center | David L. Perkins | 803-664-2800 | 181 E. Evans Street | Florence | SC | 19501 | 99. | 10/85 |
| Business and Technology Center | Dan B. Porter | 803-591-4200 | 145 N. Church Street | Spartanburg | SC | 29304 | 89. | 12/85 |
| Business and Technology Center | Jerome Clemons | 803-722-1219 | 701 East Bay Street | Charleston | SC | 29403 | 185. | 06/81 |
| Business and Technology Center | David Vipperman | 803-329-9700 | 454 S. Anderson Rd. | Rock Hill | SC | 29731 | 96. | 10/85 |
| Business and Technology Center | Ann Martin | 803-278-7200 | 802 E. Martintown Road | North Augusta | SC | 29841 | 99. | 10/85 |
| Brookings Economic Development Center | Thomas Mazer | 605-692-6125 | 2308 Sixth Street | Brookings | SD | 57006 | 5.7 | 04/87 |

| INCUBATOR | CONTACT | PHONE | STREET ADDRESS | CITY | STATE | ZIP | SQ.FT. | OPENED |
|---|---|---|---|---|---|---|---|---|
| Nashville Business Incubation Center | Carroll V. Kroeger | 615-251-1180 | 315 Tenth Avenue North | Nashville | TN | 37203 | 18. | 07/86 |
| Tennessee Innovation Center | Melvin Koons | 615-482-2440 | P.O. Box 607 | Oak Ridge | TN | 37830 | 50. | 10/86 |
| Univ. of Houston Small Business Devel. Center | Jon Goodman | 713-223-1141 | 401 Louisiana | Houston | TX | 77062 | 40. | 07/86 |
| Business and Technology Center | Robert McKinley | 512-270-4500 | 301 South Frio | San Antonio | TX | 78207 | 94. | 06/85 |
| Utah Innovation Center | Gerald Davey | 801-584-2500 | 419 Wakara Way, Research Park | Salt Lake City | UT | 84108 | 15. | 10/81 |
| George Mason University Small Bus. Devel. Center | John O. Malley | 703-323-3751 | 4400 University Drive | Fairfax | VA | 22030 | 10. | 10/87 |
| Precision Valley Development Corp. | Lisa Eger | 802-885-2138 | 100 River Street, P.O. Box 477 | Springfield | VT | 05156 | 160. | 09/84 |
| Polygraphics Mills Incubator | Patricia Moulton | 802-442-8975 | P.O. Box 357 No. | Bennington | VT | 05251 | 150. | 02/78 |
| Evergreen Community Development Association | Mary Jean Ryan | 206-622-3731 | 2122 Smith Tower | Seattle | WA | 98104 | 35. | 03/87 |
| Rainier Valley Enterprise Center | Jackie Lum | 206-721-2070 | 2620 Rainier Avenue South | Seattle | WA | 98144 | 12. | 09/86 |
| The Center | Jack Wicks | 206-745-0430 | 917 134th Street | Everett | WA | 98204 | 17. | 10/84 |
| Industrial Advancement Center | David Thompson | 206-353-2110 | Snohomish County Airport | Everett | WA | 98204 | 52. | 03/88 |
| The Venture Center | Clarence Smith | 206-854-8744 | 823 North Kent | Kent | WA | 98932 | 11. | 10/87 |
| Spokane Business Incubation Center | Velora LaMunyon | 509-458-6340 | South 3707 Godfrey Blvd | Spokane | WA | 99204 | 14. | 03/85 |
| Port of Kennewick | Sue Watkins | 509-586-1186 | 1 Clover Island | Kennewick | WA | 99336 | 63. | 10/85 |
| Tri-Cities Enterprise Center | Dallas Breamer | 509-375-3268 | 2000 Logston Blvd. | Richland | WA | 99352 | 18. | 01/88 |
| Metroworks Business Development Center | Mary Lou Lamonda | 414-871-7500 | 3201 W. Hampton | Milwaukee | WI | 53209 | 550. | 01/86 |
| Madison Enterprise Center | Kathleen M. Cryan | 608-256-3527 | 100 South Baldwin Street | Madison | WI | 53703 | 23. | 09/87 |
| The Madison Business Incubator-WI for Research Inc | Noel Pratt | 608-258-7070 | 210 N. Bassett Street | Madison | WI | 53703 | 10. | 10/84 |
| UW-Stout Incubator Service | Chuck Yost | 715-232-2294 | Manufacturing Laboratory | Menomonie | WI | 54751 | 10. | 04/85 |
| ADVOCAP Business Center - ADVOCAP, Inc. | Morton . Gazerwitz | 414-922-7760 | 19 West First St. P.O. Box 1108 | Fon Du Lac | WI | 54935 | 5. | 05/85 |
| 1st Step Enterprise | Bob Ash | 304-722-6250 | 86 W. Main Plaza | St. Albans | WV | 25177 | 2. | 10/85 |

# CONTROL DATA CORPORATION'S BUSINESS DEVELOPMENT PROGRAMS: TOOLS TO ASSIST TODAY'S ENTREPRENEUR

## ABSTRACT

At the Small Business Administration's Fifth Creativity, Innovation and Entrepreneurship Conference, Control Data Corporation presented two of its economic development tools: The Self-Employment Training Program and the Business Development Program. These tools can be used by economic development groups, government agencies, higher education institutions, small business development centers and numerous other entities to stimulate the successful development and growth of small businesses.

## INTRODUCTION

The Self-Employment Training Program is an alternative to traditional job placement programs aimed at assisting the unemployed and underemployed. The purpose of the program is to help participants make the transition from employee to self-employment and to provide instruction in the basics of business management. Participants are led through each step of starting a business from idea clarification to business planning to resource identification to start-up.

The Business Development Program promotes the development of successful small and medium sized enterprises by providing training and implementation support to owners and operators of existing businesses. Participants are taught processes to organize and manage their businesses more effectively. Personal facilitators, seminars/workshops and written materials provide instruction in every aspect of business development, including marketing, sales, human resources and finance.

Both programs are available through Control Data Corporation's Job Creation Services. Additional information is available from Ms. Michele Helgen (612/853-4282).

# THE SELF-EMPLOYMENT TRAINING PROGRAM

The Self-Employment training Program (SETP) is designed to help individuals assess their self-employment potential and develop personalized action plans to start and operate their own businesses. This process involves guiding participants through each step of starting a business from skills/abilities evaluation to product idea clarification to business plan development to implementation.

The Self-Employment Training Program is an excellent economic development tool. In effect, people are taught to create their own "jobs" through self-employment, rather than relying on existing enterprises or government programs for employment and support. The SETP provides a decided advantage in terms of education and support for these new small business owners. Businesses formed by participants of the SETP have a success rate significantly higher than that of the national average. And because these successful small businesses are potential employers of other persons, the result can be significant job creation, revenue generation and economic growth for a community.

## Background

Unemployment has consistently been a major concern in the United States, and new solutions to the unemployment problem need to be determined. There is a demonstrated need to provide assistance to people who:

1. reside in or near a rural area;
2. have lost their means of earning a livelihood due to the loss of a job or the loss of income earned through some other business;
3. are inventors with job creation oriented inventions and no knowledge of marketing;
4. are contemplating new business starts; and/or
5. are undergoing outplacement from the local industry or military installations.

Given the increasing shortage of traditional employment opportunities, and the limited creative approaches currently in use to address the unemployment issue, it is imperative that other income generating possibilities be considered. Self-employment has proved to be both viable and effective, but because the work experience of most people is job based, many are not prepared to set up and run a business of their own without assistance. The Self-Employment Training Program responds to the need for systematic training in self-employment.

## Self-Employment and Community Enterprise Development

Self-Employment Training should, ideally, be viewed within the broader context of Community Enterprise Development. A loss of local job opportunities and/or a decline in industries in the area should not be allowed to cripple the entire economy of a given community. People need to be directed toward creating an income-generating possibility for themselves.

This is possible in rural as well as in metropolitan and suburban locales. The demand for services of all kinds is great. And in many instances the creation of new "cottage" industries--especially in the areas of specialty food production and crafts--has turned things around for the individuals who run these businesses and for the local community as well. Some areas have made the turn-about by converting local attractions and resources into "tourist dollars".

In order to maximize the opportunities for entrepreneurial growth, a community must commit itself to the idea that small business enterprise development is a powerful means to job creation, revenue production, and economic growth. Key affiliates, leading business organizations, and local governmental entities such as the Private Industry Councils mandated by the Job Training Partnership Act must all play a part in the process. The establishment of a revolving loan fund or a private sector guaranteed loan program obviously increases the probability of bringing community entrepreneurial development to fruition.

A change in the "entrepreneurial" configuration of a given community will not occur automatically. Certain preparations must be made and specialized training inaugurated to transform an "enterprise"-oriented community into a full-fledged entrepreneurial one. Communities interested in enterprise development need to understand that a climate of support and encouragement must be created so as to minimize the adverse motivational effects that come with the territory of entrepreneurial growth. In this regard, community entrepreneurship is not just a technical business consideration, but rather a commitment on the part of all involved to nurture and assist in ways that are typically outside of traditional economic development strategies. Self-Employment Training can work to create jobs, revenue, and economic well-being, but the training must occur within an environment of support, encouragement, and mutual cooperation.

## Youth Entrepreneur Development

In regards to youth entrepreneur development, there is increasing interest by secondary and post secondary educational institutions in the delivery of curriculum and programs directed at developing the youth resource as entrepreneurs. It has been recognized that youth have innovative, viable ideas and are pursuing their own businesses as a career opportunity. With proper motivation, guidance, and training, they can become vibrant entrepreneurs running successful businesses. In addition to text books, film, seminars, and community leadership/mentor programs, proven and documented processes are needed to support and encourage this latent talent toward the formation of new enterprises.

## Program Results

To date, the Self-Employment Training Program has served over 300 participants who have started 170 businesses. Currently, eighteen additional entities have been trained to deliver the Self-Employment Training Program in Illinois, Georgia, Oklahoma and Minnesota.

This program has continually demonstrated that, with the proper preparation, most people who are unemployed can start and be successful in a business of their own.

## Program Phases

The Self-Employment Training Program can be outlined as follows:

- **Start-Up**

  The first step in starting a Self-Employment Training Program is to identify an appropriate facility located as closely as possible to where the targeted program participants reside. After this is accomplished, it is necessary to select professional and support staff persons. Intensive staff training provides a conceptual, technical and practical understanding of the Self-Employment Training System.

- **Recruitment**

  Recruiting persons for participation in the Self-Employment Training Program requires 1) publicizing and promoting the program; and 2) making program description and application materials available to prospective candidates. Publicity and promotion are accomplished through various media such as newspapers, radio and TV, posters, flyers, and public appearances by key advocates and operators. Application for participation in the program is initiated through the distribution of a materials "packet" that includes information and preliminary screening documents.

- **Assessment**

  After eligibility status is determined, prospective candidates are tested and further screened through a series of personal interviews. Through these assessment procedures, those individuals who stand the best chance of being successful as self-employed persons are identified. Of greatest interest are personal attributes such as self-determination, technical abilities and "people skills." Needless to say, a careful look is taken at the planned business venture to assess its chance in the marketplace. The probability of success is directly proportionate to the qualities of the person and the power of the business idea being considered.

- Certification

  The Certification and Enrollment of program participants is typically executed by an outside entity agreed upon by the sponsor and program operator.

- Orientation/Reception

  The program opens with a "kick-off" event that serves to 1) introduce the essentials of owning a business, 2) acquaint the prospective business owner with the Self-Employment Training Program, and 3) stimulate commitment to being a small business owner. The orientation process reorients the participant's view of himself or herself in the "world of work"--now in the role of business owner rather than employee.

- Business Skills Development

  Success in business depends heavily on acquiring specific skills and knowledge. With the help of outside resource professionals, a series of workshops is offered in marketing, advertising, sales, management, finance and accounting. Large and small group presentations provide an integrated view of critical business concepts and their practical applications. A series of topical guides covering such subject matter as business organization, management, marketing and advertising, sales, etc. are given to each trainee.

- Enrollment

  Enrollment signifies the official acceptance of trainees into the program.

- Business Plan Development

  Given the complexities of the contemporary marketplace, it is important that a business be carefully planned. The business plan evolves out of a study of potential markets and existing competition. Business Development Specialists assist in all phases of business planning, including market research and competition analysis. A detailed Business Plan Format has been developed to guide effective execution of business operations.

  Because of the uniqueness of each business, it is necessary to construct individualized business development packages. Information contained in these packages helps to direct decisions regarding such matters as:

    - Naming the Business
    - Locating the Business
    - Market Positions
    - Business Image Design
    - Promotion
    - Advertising
    - Customer Profiling
    - Lead Generation and Control

- Business Plan Review

  A careful review of all business plans is made by the Business Development Specialist and outside consultants. The aim is to produce quality business plans that represent adequately and convincingly the merits of a given business venture to prospective investors.

- Capital Search

  Some very successful businesses have started out on little capital. A good business plan accompanied by contracts and purchase orders is an extremely powerful tool in obtaining start-up capital. The delivery organization directs clients to contacts they have in the banking industry and helps prepare the most complete and accurate financial proposals possible. It should be emphasized that the Self-Employment Training Program has nothing to do with State or Federal subsidizing of small businesses. Control Data does not capitalize business start-ups, nor do they underwrite any aspect of business operations.

- Pre-Execution

  Before a business is launched, all operational elements must be in place and the business owner ready to "move into action." Most people have difficulty moving beyond the execution "threshold." Special consideration must be given to those struggling with the fear of "going public." Before going into full operations, the new business owner must complete a pre-execution checklist to assure that all bases have been covered.

- Execution

  After all educational requirements are met, an approved business plan is in place (including market analysis and competition survey data), and the pre-execution checklist is completed, the business becomes operational. It is at this juncture that programming becomes almost exclusively field-oriented.

- Post Execution Monitoring

  When a business is in full operation, the program monitors all activities of the enterprise. New businesses left on their own experience difficulties. It is critical to the success of the businesses that professional counsel be available, particularly in the early phases of business development. In the latter and final phases of the training a complete audit is made of each business to determine strengths and weaknesses in business operations.

- **Debriefing**

  At the close of formal programming all participants are given an opportunity in a personal interview to express their thoughts and feelings about the training. These interviews are valuable in assessing program effectiveness and making adjustments for future programs.

## Program Training and Materials

The delivery organization is trained in all aspects of the Self-Employment Training Program. An extensive training workshop is conducted, covering such topics as:

- Orientation to Self-Employment Training
- Staffing the SETP
- Program Initiation
- Recruitment/Marketing Strategies
- Funding/Revenue Opportunities
- Assessment and Certification
- The Reorienting Process
- Business Skills Development
- Selection and Enrollment
- Business Planning
- Pre-Business Start-Up
- Capitalization
- Business Start-Up
- Monitoring and Evaluating Progress

In addition, the delivery organization has access to a wide range of manuals developed exclusively for use in the Self-Employment Training Program. These include:

### Instructor's Materials

- Operations Guide - Discusses objectives and implementation strategies for delivery of the program, plus provides forms and formats to assist in program execution.

- Psychology Handbook for Consultants and Counselors - Describes critical issues participants face relevant to making the transition from employee to self-employed.

- Instructor's Guides - Provides assistance in teaching the business concepts described in the client materials.

### Client Materials

- Orientation Manual - Introduces the basic concepts/principles of the SETP, and prepares participants to make the transition to self-employment.

- Business Planning Manual - Gives step-by-step instructions and guidance for developing a business plan.

- Marketing and Advertising Manual - Discusses market analysis, target marketing, pricing, promotion, sales strategies and market planning.
- Market Plan Workbook - Used as a supplement to the Marketing and Advertising Manual, provides step-by-step instructions for the development of a market plan.
- Sales and Personal Selling Manual - Discusses a unique approach to selling that assures sales without sacrificing personal relationships and integrity.
- Money Management Manual - Describes the fundamentals of money management such as capital requirements, breakeven analysis and funding resources.
- Organization and Management Manual - Explains personnel recruitment, selection and training as well as office management and organizational planning.
- Accounting and Bookkeeping Manual - Provides instruction in the set up of an accounting/bookkeeping system and the basics of tax preparation.
- Facilities and Equipment Manual - Focuses on selecting a business location, organizing internal space and purchasing equipment.
- Production Manual - Covers product/service delivery, inventory management and quality control.
- Business Monitoring and Problem Solving Manual - Provides a checklist of potential problem areas to help the new business owner monitor personnel management, business organization, accounting, budget control, plant and equipment management, purchasing, marketing and customer service, and so on.
- Business Forms and Formats Supplement - Provides samples of standard business forms, tax forms and promotional materials that the self-employed person may need.

## THE BUSINESS DEVELOPMENT PROGRAM

The Business Development Program (BDP) promotes the development of successful small and medium sized enterprises by providing training and implementation support to owners and operators of existing businesses. The BDP is a structured management assistance process designed to teach owners how to effectively manage their businesses. Business owners meet with a personal facilitator on a monthly basis to review the month's activities, discuss pertinent issues, and develop action plans. And they have access to seminars/workshops and written materials covering such topics as marketing, sales, human resources, management and finances.

The enhanced opportunity for success afforded to BDP participants is ultimately important for enterprise and economic development in several ways, including:

- First, successful businesses, and particularly growth-oriented small and medium sized businesses, may contribute to the overall job creation efforts of the community by developing new employment opportunities.
- Second, small and medium sized companies can generate revenue for a community.

Because of the volatility associated with small businesses, jobs and revenue from these enterprises are often viewed as "here today and gone tomorrow." It is obvious that business failures can result in increased unemployment and lost revenue. Therefore, it is imperative that programs such as the Business Development Program which are aired at increasing a business' chance of success become a part of each community's overall economic development strategy.

### Background

In 1979, Control Data Corporation initiated a business strategy to address the management needs of small and medium sized businesses. Assistance was provided primarily as traditional consulting delivered by a talent pool of business experts. Although valuable assistance was provided, particularly in the areas of marketing and business planning, Control Data, like other firms delivering services in this manner, recognized inherent problems in providing management assistance to small/medium sized companies using the traditional consulting approach:

1. Business owners often are not able to identify specific problems. Obviously, if assistance is provided in the wrong area, the overall benefit to the business is minimal.

2. In smaller companies, all major business functions are highly dependent upon each other and need to be well integrated for a successful operation. Assisting a company with just one aspect of its operation is not the best way to ensure success. An integrated approach is required.

3. The use of business experts who specialize in one particular field is often inefficient and usually produces inconsistent results.

For these reasons, Control Data decided to change the way services were delivered from short-term, labor-intensive consulting to a longer-term, comprehensive management assistance program. The Business Development Program was selected to achieve this objective. To date, Control Data has worked with over 800 client companies, from start-up enterprises to companies with $30M in annual revenue. The Business Development Program has been particularly beneficial for:

1. Companies requiring more control and organization to effectively manage their survival and growth.

2. Companies desiring to grow through either increased sales or expanded product lines and markets.

The principal reasons why business owners and operators join the program include such goals as:

| | |
|---|---|
| 54% | Improved Growth and Organization |
| 31% | More Sales Growth |
| 14% | Less work hours, fewer mistakes, better cash flow |

A profile of the companies served to date is as follows:

| | | |
|---|---|---|
| 1. Type of Client Company Business | 39% | Service |
| | 26% | Retail |
| | 14% | Manufacturing |
| | 13% | Wholesale/Distributor |
| 2. Client Companies Year in Business | 30% | Less than one year |
| | 20% | One to five years |
| | 25% | Six to ten years |
| | 10% | Eleven to twenty years |
| | 15% | More than twenty years |
| 3. Annual Revenue of Client Companies | 16% | Less than $100K |
| | 9% | $100K - $200K |
| | 20% | $201K - $500K |
| | 15% | $501K - $1M |
| | 20% | $1.1M - $2M |
| | 14% | $2.1M - $5M |
| | 6% | More than $5M |

## The Program

The Business Development Program (BDP) is a unique, innovative management assistance program designed to teach business owners and operators to more effectively manage their business. The purpose of the program is to significantly impact the owner's control over the business so that both personal and strategic objectives are met. The foundation of the program is the principal that, over time, it is the owner's ideas, know-how, and drive that will ensure success of the business.

The BDP process requires the owner/operator to define and analyze personal and business objectives and, using a variety of resources (written products, seminars/workshops, meetings, etc.), to implement changes in the business' operation to achieve these objectives. The process is based on three delivery elements: information, motivation, and support/implementation.

The Business Development process (See Exhibit 1) revolves around regular Strategy Sessions between the client and a Client Service Manager (CSM). The typical sequence is as follow:

- Needs Assessment. The first strategy session focuses on assessing needs . . . where the owner wants the business to go, what's going well, what's not going well. The owners priorities for the program are defined. Subsequent strategy sessions begin by briefly confirming the direction in which the owner is proceeding in the program and identifying any obstacles encountered.

Business Progress. A major portion of each strategy session focuses on new developments since the last session and how the business is being affected by changing business events. Concentrating on these elements allows the owners to refine their business strategy so it will be more in tune with new and upcoming opportunities.

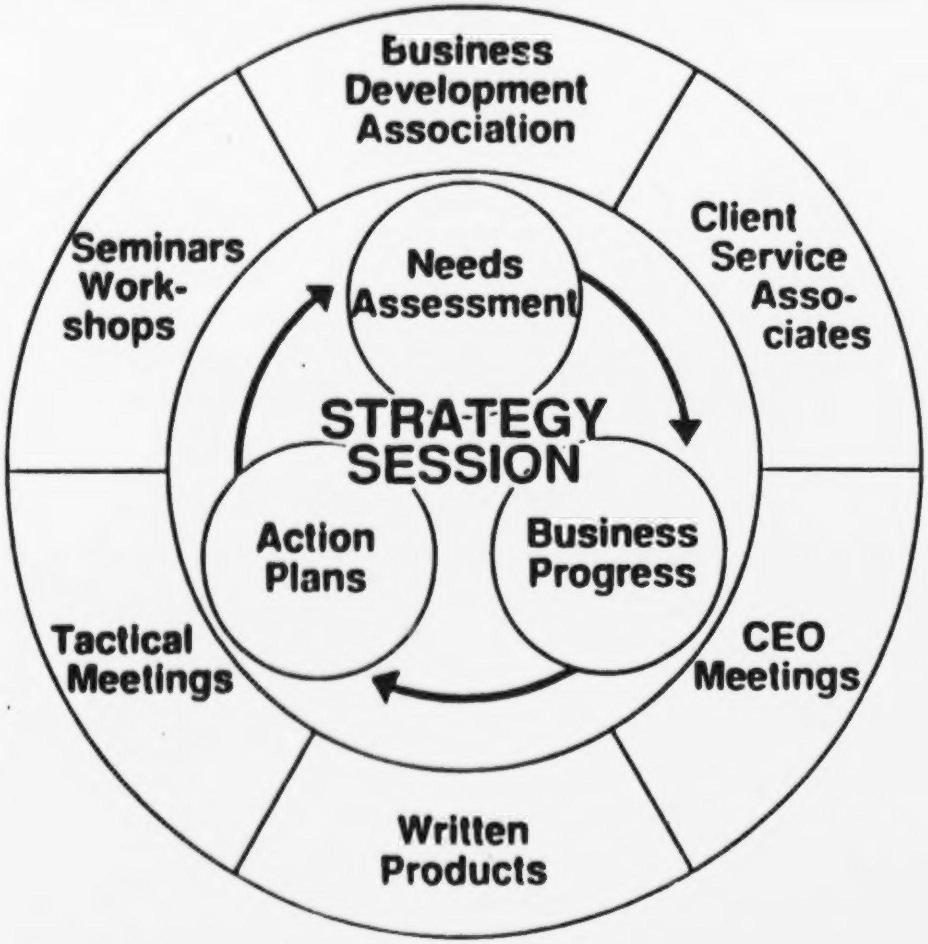
Action Plans. At the conclusion of each strategy session, the owner and the CSM create a set of Action Plans outlining what steps need to be taken based on changing priorities and business events. A Commitment Agreement (See Exhibit 2) containing a written summary of actions to attack one or more specific problems is signed by the owner/operator and the CSM.

The Commitment Agreement identifies tasks to be completed for both the owner and the CSM. For example, if the owner wants to develop a strategy for organizing the business, four tasks (benchmarks) would be entered onto the Commitment Agreement: the CSM would be responsible for delivering the related products, and the clients would have to read these products, develop a solution based on their interpretation, and send a copy of this solution to the CSM. Other benchmarks that could be entered onto a Commitment Agreement include

EXHIBIT 1

# BUSINESS DEVELOPMENT PROGRAM

## THE BUSINESS DEVELOPMENT PROCESS



Business Development Association

Client Service Associates

CEO Meetings

Written Products

Tactical Meetings

Seminars Workshops

Needs Assessment

STRATEGY SESSION

Business Progress

Action Plans

CONTROL DATA

EXHIBIT 2

PAGE # 1 OF 1

# COMMITMENT AGREEMENT

BAC # Mpls. CLIENT CDC Business Development Services DATE 11/11/86

| # | BENCHMARK | ACCOUNTABILITY | | DUE DATE | | COMMENTS (For CDBA Use Only) |
|---|---|---|---|---|---|---|
| | | | | MAIL | DELIVER | |
| 1. | Read Management Product | GA | | | BEFORE 11/20 | # 1.00.14.01 |
| 2. | Attend Management I | GA | | | 11/20 9:00 AM | |
| 3. | Read Management Product | GA | | | BEFORE 11/19 | # 1.04.15.01 |
| 4. | Complete Corporate Strategic Objective | GA | | | BEFORE 11/19 | |
| 5. | Complete Organizational Strategy | GA | | | BEFORE 11/19 | |
| 6. | Tactical Meeting | AH<br>GA | | | 11/14 10:00 AM | |
| 7. | Have Communications Meeting | GA | | | 11/19 10:30 AM | |
| 8. | Attend Management II | GA | | | 12/4 9:00 AM | |
| 9. | Next Strategy Meeting | AH<br>GA | | | 12/9 8:00 AM | |

THIS AGREEMENT SUPERSEDES ALL PREVIOUS COMMITMENT AGREEMENTS.

CSM ____________ DATE ____________ CLIENT ____________ DATE ____________ attending one of the Seminars (See Exhibit 3), decision making, or utilizing one of the other written products for solving specific business problems.

The Action Plans and subsequent Commitment Agreements allow the owner to quickly and efficiently reach the point where he/she can take action, quantify results, and further tailor the solution to the business.

Each strategy session follows the same cycle of discussion, review, reassessment and commitment. One by one, the critical problems are identified and solutions are implemented. Step-by-step, the owner takes greater control over the business . . . and makes progress toward his/her individual goals.

Implementation Support. From time to time, actions agreed upon in the strategy sessions turn out to be more difficult to implement than originally foreseen. At this point, a tactical meeting in which the CSM and owner discuss the subject in detail and determine a resolution to the situation is arranged.

Augmenting this process are the Business Development Program Written Products (See Exhibit 4) covering general and specific business topics. Access is limited only by the amount of time the owner has available to read the material and implement solutions. The client is required to submit on a monthly basis an Impact Report to confirm the progress in implementing change in the business and to describe the impact of the program on the business.

## Supplemental Elements

Supplemental elements, while not crucial to the operation of the Business Development Program, do add value to the process. These include:

- CEO meetings which are held periodically for all owners/CEOs to meet and hear presentations on special subjects, such as family business ownership, new tax laws, leadership, etc. The meetings provide an opportunity for the business owners to network and share experiences.

- Client Service Associates who provide implementation support. The owner/manager has to do a substantial amount of work to develop a business, including routine tasks, such as writing position contracts (job descriptions). A trained staff of undergraduate college/university students are available to do this routine work for the client on an hourly fee basis. These students work as interns for the delivery organization on a part-time basis.

- The Business Development Association which is provided to clients who have been in the Program for twelve or more months. After achieving their primary objectives, clients

EXHIBIT 3

# BUSINESS DEVELOPMENT PROGRAM

## SEMINARS AND WORKSHOPS

**Management I Seminar**
**Management II Seminar**
**Planning For Results Seminar**
**Controlling For Results Seminar**
**Time Management Seminar**

**Marketing I Seminar: Understanding Consumer Behavior**
**Marketing II Seminar: Positioning**
**Marketing III Seminar: Sensory Package**

**Positioning Workshop**
**Unique Selling Proposition Workshop**

**Sales Process I Workshop**
**Sales Process II Workshop**
**Sales Process III Workshop**
**Sales Process IV Workshop**

**Interview And Evaluation Workshop**
**Performance Appraisal Seminar**
**Performance Appraisal Workshop**

EXHIBIT 4

# BUSINESS DEVELOPMENT PROGRAM

## WRITTEN PRODUCTS

| | | # OF PRODUCTS |
|---|---|---|
| **MANAGEMENT** | | |
| General Management | | 56 |
| Organizational Strategy | | 19 |
| Position Contract | | 296 |
| Quality Assurance Questionaire | | 67 |
| | Total | 438 |
| **HUMAN RESOURCES** | | |
| Recruitment Advertisements | | 12 |
| Recruitment Advertisements/Telephone Presentation | | 10 |
| Telephone Presentation/Response Modules | | 18 |
| General Human Resource | | 21 |
| | Total | 61 |
| **MARKETING** | | |
| General Marketing | | 79 |
| Sales Presentation | | 37 |
| | Total | 116 |
| **OPERATIONS** | | 20 |
| | Total | 20 |
| **FINANCE** | | 19 |
| | Grand Total | 654 |

often want to continue their relationship with the BDP at a somewhat reduced level of contact. For reduced fees we provide access to workshops and seminars (usually for new employees) and periodic strategy meetings with a CSM.

# THE THIRD YEAR OF NEW BUSINESS IN AMERICA: A PROGRESS REPORT

by

William J. Dennis, Jr., The NFIB Foundation
William C. Dunkelberg, Temple University

This paper is the third progress report[1] to the Creativity, Innovation and Entrepreneurship Conference on a three year longitudinal study of new businesses and their owners entitled, *New Business in America: The Firms and Their Owners*. Today's presentation outlines construction of the third year questionnaire and highlights some of the findings from the third year survey. It is in no sense a final report or even a project summary. A summary project report is scheduled to be published this fall. However, the data set is so enormous and rich that formal papers based on it will be produced well into the foreseeable future.

Members of the team working on the data include: Arnold C. Cooper and Carolyn Y. Woo, Purdue University, and William C. Dunkelberg, Temple University. *New Business in America* is sponsored by The NFIB Foundation and tentative agreement has been reached with the American Express Company for additional support.

## Study Background

The process of business formation is one of the great and largely unexplored areas of both economics and business. While a handful of cross-section, small sample studies have nibbled at the edges, we know very little empirically about new firms and their creation. The most important reason for our lack of knowledge is that until recently we have had no large data base from which to examine basic hypotheses or test developmental models.

About 10 years ago, the Dun & Bradstreet files became available. They permitted researchers to examine business histories over an extended period, and David Birch's classic, *The Job Generation Process*,[2] based on data from the D & B files, gave us our first large-scale, empirical glimpse of the business growth process. But the glimpse was confined to business births, deaths, expansions, and contractions. Direct manipulation of the D & B files could not integrate the owner and the firm. It addressed the "what's" and "where's." But it did not and could not address the "who's," "why's," and "how's." Another means had to be employed to tackle those questions.

Arnold Cooper, William Dunkelberg, and William Dennis of The NFIB Foundation organized New Business in America in 1984. The study's design incorporated creation of a large national sample of new businesses (less than one year old). Sample firms were to be surveyed at annual intervals over a three year period. Initial data collection was to be undertaken in May, 1985, and the third and final survey in May, 1987. Additional data, e.g. economic condition of the area in which the business is located, would subsequently be attached and a massive file prepared for analysis.

The original sample consisted of NFIB members who had indicated at "sign-up" that their business was one year old or less. Over 13,000 firms qualified and were asked to complete the first year survey. Of that number, 4,814 responded. Two thousand nine hundred and ninety-four (2,994) proved to be 17 months old or less (the operating definition of "new"). This group constituted the study group for the remainder of the project. (See Table 1.) A total of 877 responded to the year 3 survey, a 29 percent response rate. Since about 575 firms from the original group appear to have "turned-over," a figure we are still working on, the response rate among those currently operating is about 36 percent.

Table 1
RESPONDENTS TO THE NEW BUSINESS IN AMERICA SURVEY
BY SURVEY YEAR AND BUSINESS AGE AT YEAR ONE

| | | BUSINESS AGE AT YEAR ONE | |
|---|---|---|---|
| SURVEY YEAR | All Respondents | 17 Months or Less at Time of First Survey | More Than 17 Months at Time of First Survey |
| Year 1 | 4,814 | 2,994 | 1,820 |
| Year 2 | 1,986 | 1,178 | 808 |
| Year 3 | 1,589 | 877 | 712 |

## Third Year Questionnaire

The third year questionnaire, much like the second year's, focused on change. The purpose was to determine how and how much the business and the owner had changed over the preceding 12 months -- necessities for monitoring the dynamics of small business development. Many questions in the Year 3 survey were identical to those on the Year 2 survey. For example, we posed identical questions on sources of new funds, change in assets, change in partners and major changes in the nature of the business such as new product lines, additional locations, and different business name. Questions in the Year 3 survey were also developed to compare with baseline data from the Year 1 survey. Examples include additional training or courses taken and the extent to which the business satisfied personal objectives. A third set of questions, also designed to measure change, were identical to those on the Year 1 and Year 2 surveys. For example, the Year 3 survey contained questions on hours worked per week, family hours contributed, number of employees, gross receipts, business strategy, odds of success, and use of information sources. Each provided three points in time for comparative purposes. Thus, change could be measured by comparing Year 3 against identical data collected as follows: in Year 1 but not in Year 2, in Year 2 but not in Year 1, and in Years 1 and 2.

As the last questionnaire, Year 3 offered a final opportunity to collect sensitive information purposefully not sought in previous questionnaires, e.g., personal income from the business -- and capture reflections about the entrepreneurial experience, e.g. would you go into business again? and, would you approve of a son or daughter going into business for themselves? In addition, one new area of inquiry was opened -- changes in employee wages and benefits. No point of comparison existed for these questions, but they sought the type of information that permits more rational evaluation of other data.

## Third Year Results

A copy of third year results are attached. While they largely speak for themselves, there are a few points that deserve to be highlighted:

1. Change still characterizes most sample firms though they are now between three and four and one-half years of age. A majority continue asset growth. Within the last twelve months, a near majority experienced major changes in line of products or services. Half had major changes in advertising and promotion. About one in four changed floor

space. Six percent added new branches or locations.

The converse is that many firms have settled into a "no change" pattern. They have not grown; they have not changed products or services; they have not altered their business strategy. One research task is to define the "stagnant" firm and measure its characteristics.

2. Many businesses in the sample are not very profitable. The median amount drawn out of sample businesses last year was between $15,000 and $24,999. Response distributions suggest the figure is much closer to the former than the latter. While the income figures must be examined more closely and contrasted to firm growth and new funds sources, they are supported by responses to questions on profits compared to profit expectations, and satisfying an "earning lots of money" objective. In both instances, satisfaction with earnings scored by far the lowest favorable response of any comparable question.

3. Except profitability, three year survivors are satisfied with the returns from their businesses. Large majorities believe business ownership has fulfilled such personal objectives as "using my skills and abilities" or "overcoming a challenge." An overwhelming 82 percent indicated that knowing what they know now, they still would have gone into their businesses again. By a 5 - 1 margin, they would approve of a son or daughter following in their footsteps.

4. Education and information gathering are ways of life for these new business owners. Not only are these people considerably better educated than is the general public, but 61 percent have taken some type of training or attended professional meetings since entering their businesses. In addition, within the last 12, months 41 percent have found this type of training "important"; 54 percent believe that reading generally available manuals, books, etc., was important. Beyond these avenues, 76 percent consider information obtained from accountants and bookkeepers over the last 12 months important for their business and 55 percent felt the same about information from suppliers. While there is little doubt that continued learning in virtually any occupation is important, the degree of self-motivated learning among new business owners appears unusual.

## The Analysis

The data warrant analysis in three principal directions.

The first direction classifies the outcome of firms, e.g. turned-over, survived, grew substantially, and matches the classification against baseline data collected in the Year 1 survey. This is the fascinating, if somewhat mindless, process of routinely relating every conceivable piece of information we have about the firm to its outcome. What are the characteristics of the owners and the businesses that succeed and fail? What are the characteristics of those who succeed spectacularly? How do women fare compared to men? Are those investing larger sums of capital more likely to survive than those who invest smaller amounts? How are initial owner objectives related to outcome? What about partners? Do partners prove a plus on balance as theory suggests? The list of variables to analyze in this manner is long, but the results should help us evaluate the veracity of many "common wisdoms" and establish patterns of greater and lesser chances for business success.

The second type of analysis - the process of business formation and growth - is far more complex and will undoubtedly occur over an extended period. Here we look at the relationships between variables during the formation and growth process. Are there formation patterns? What changes occur during growth? Are some changes related to subsequent changes? Is there a "chain of events"? If so, what is (are) it (they)? Such questions inevitably lead to developmental theories and models which may be subsequently tested. These analyses are not the most glamorous, at least not initially, but they are necessary if we are to ever understand the process of business formation and growth.

The third type of analysis is one that employs the data to test hypotheses which may or may not be directly related to the primary objectives of the study. An example illustrates: from a quick scan of the data, it appears that those, who initially invest more physical capital (money), invest less labor (hours worked and unpaid family labor). The ability to relate these two types of capital in a controlled environment may offer interesting insights into capital substitution. This type of analysis has lowest priority simply because it is not necessary in order to complete the project.

## Conclusion

New Business in America has been in progress nearly five years. Most of the suffering is now over. The data has been collected; the data set has been painstakingly organized. The fun begins. Results will soon be available. Those associated with the project remain excited about it for, to date, it is one of the most important pieces of research yet conducted on new businesses.

***If you are no longer in business, please check here, see question 27, and return ☐**

# DEVELOPING BUSINESSES IN AMERICA

**Please mark the best answer or fill in the blank as appropriate**

1. About how many hours per week do **you** work for the firm? 58 hours per week (median) 1-2

2. About how many hours per week **in total** do unpaid family members work?
20 total hours of work per week. (median) 3-5

3. On average, how many full and part-time employees do you have (including yourself)? 6-8
3 full-time (median) 2 part-time (median) 9-10

4. Were any of the employees **added** in the last twelve months hired as managers or supervisors of other employees in your firm?
[1] Yes 14 [2] No 64 [3] No employees added 20 N/A 2 11

5. Are other full-time partners or investors (other than yourself) now involved in your business?
[1] Yes, 1.4 AVE (number) partners 28 [9] No 71 N/A 1 12

5a. Have any full-time partners or investors left the business?
[1] Yes, 1.3 AVE (number) partners 11 [8] No 55 [9] Never had partners 30 N/A 4 13

6. Has the individual responsible for the day-to-day management of this business changed within the last 12 months?
[1] Yes 8 [2] No 88 N/A 4 14

7. About what were your firm's gross sales or revenues during the last twelve months or during your last fiscal year?
$ 198,000 .00 (median) 15-19

8. Comparing the total assets of the firm today to total assets of the firm twelve months ago, about how much have total firm assets changed during the last twelve months? (Total assets include the value of all equipment, buildings, vehicles and land owned by the firm as well as cash, inventories and supplies and accounts receivable.)
[1] Increased 56 [2] Stayed about the same 32 [3] Decreased 11 N/A 1 20

8a. If "increased" or "decreased", by approximately what percentage? 15 % (median) 21-23

9. Which of the following have been major sources of **new** funds during the past twelve months? Please put a "1" next to the most important source of new funds, a "2" next to the second most important source, and so on. Leave blank those sources not used.

| | | | |
|---|---|---|---|
| 67 | 53 | funds from company earnings | 24 |
| 22 | 8 | additional funds from owners who were owners of record 12 months ago | 25 |
| 6 | 2 | funds from new (less than 12 months) owners or investors | 26 |
| 39 | 14 | loans from banks or other financial institutions | 27 |
| 40 | 13 | increases in trade credit and accounts payable | 28 |
| 3 | 1 | other ______ (please explain) | 29 |

↑ used source ↖ most important source

10. During the last twelve months, have you made **major** changes in the nature of your business?

| | | | MAJOR CHANGES MADE | | |
|---|---|---|---|---|---|
| a. Added new product lines or services | | [1] YES 43 | [2] NO 54 | N/A 3 | 30 |
| b. Dropped product lines or services | | [1] YES 20 | [2] NO 71 | N/A 9 | 31 |
| c. Moved business location | | [1] YES 13 | [2] NO 78 | N/A 9 | 32 |
| d. New branches or added locations | | [1] YES 6 | [2] NO 84 | N/A 10 | 33 |
| e. Changed the name of the business | | [1] YES 5 | [2] NO 82 | N/A 13 | 34 |
| f. Changed your prices relative to your competitors | [1] HIGHER 16 | [2] LOWER 13 | [3] NO CHANGE 64 | N/A 7 | 35 |
| g. Changed your advertising and promotion | [1] MORE 25 | [2] LESS 19 | [3] NO CHANGE 48 | N/A 8 | 36 |
| h. Floor space | [1] ADDED 19 | [2] REDUCED 4 | [3] NO CHANGE 70 | N/A 7 | 37 |

11. During the past twelve months, did any of the following **hurt** the development and performance of your business? (Please rate each from 1 = "no serious problems" to 5 = "serious problems"):

| | No Serious Problems | | | | Serious Problems | | |
|---|---|---|---|---|---|---|---|
| a. A decline in the **market** you serve | 1 50 | 2 14 | 3 13 | 4 10 | 5 10 | N/A 3 | 38 |
| b. Competitive pressures | 1 39 | 2 19 | 3 20 | 4 10 | 5 8 | N/A 4 | 39 |
| c. Cost or quality of labor | 1 43 | 2 17 | 3 18 | 4 10 | 5 6 | N/A 6 | 40 |
| d. Cost or quality of goods, materials, etc. | 1 34 | 2 23 | 3 24 | 4 12 | 5 3 | N/A 4 | 41 |
| e. Family demands, health problems, etc. | 1 56 | 2 17 | 3 11 | 4 6 | 5 5 | N/A 5 | 42 |
| f. Availability of credit or finance | 1 55 | 2 14 | 3 12 | 4 8 | 5 6 | N/A 5 | 43 |
| g. Other ______________ (please explain) | 1 8 | 2 2 | 3 2 | 4 2 | 5 6 | N/A 80 | 44 |

12. How is your business doing today compared to the expectations you had for your business when you started it or became the principle owner/manager?

| | Higher Than Expected | About the Same as Expected | Lower Than Expected | | |
|---|---|---|---|---|---|
| a. Sales are: | [1] 29 | [2] 36 | [3] 32 | N/A 3 | 45 |
| b. Profits are: | [1] 15 | [2] 31 | [3] 52 | N/A 2 | 46 |
| c. My Personal Satisfaction is: | [1] 21 | [2] 43 | [3] 32 | N/A 4 | 47 |

13. From the list below, how would you describe your business strategy? Using a **total of 100 points**, please assign points to each item below that reflects its importance in your business strategy. A blank means 0 points. For example, if "low prices" were your major strategy with "better service" receiving secondary emphasis, you might assign 70 points to "low prices" and 30 points to "better service", leaving the rest blank to indicate that they are not receiving **special emphasis** in your strategy. Please read the entire list before scoring.

| | | | |
|---|---|---|---|
| 9 | 15 | Try to keep prices lower than my competitors | 48-49 |
| 29 | 30 | Try to provide better service than my competitors | 50-51 |
| 44 | 13 | Provide more product or service choices than my competitors | 52-53 |
| 80 | 25 | Try to build a better reputation for quality | 54-55 |
| 32 | 10 | Try to advertise more effectively | 56-57 |
| 41 | 10 | Try to target customers missed or poorly served by my competitors | 58-59 |
| 17 | 10 | Select a superior location | 60-61 |
| 37 | 10 | Have a better appearance or better facilities | 62-63 |
| 35 | 10 | Provide a service or product otherwise unavailable | 64-65 |

100 points TOTAL

median points if strategy used

used strategy

14. What are the odds of **any business like yours** succeeding, e.g. 1 chance in ten, 2 chances in ten, etc.?

| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| No chance of success | * | 5 | 9 | 13 | 8 | 30 | 8 | 9 | 8 | 3 | 3 | Certain chance of success<br>N/A 4 | 66-67 |

15. What are the odds of **your** business succeeding, e.g. 1 chance in ten, two chances in ten, etc.?

| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| No chance of success | * | 2 | 2 | 3 | 1 | 11 | 6 | 12 | 19 | 19 | 19 | Certain chance of success<br>N/A 6 | 68-69 |

16. Since forming this business, have you taken any technical, vocational or professional development courses/training or attended any professional meetings/conventions?

[1] Yes 61 [2] No 36 N/A 3 70

16a. If "yes," what type(s) was it? (Check all that apply.)
11 [1] Structured program leading to a certificate, degree, or license 71
28 [2] Occasional courses or seminars to learn business skills useful in just about any kind of business 72
41 [3] Occasional courses or seminars to learn new skills, new techniques, new products, etc., found in my kind of business 73
43 [4] Trade/professional association meetings or conventions with speakers and/or professional exchanges 74

17. At this point in time, what is the total amount of capital invested in your business (by you and all other owners, investors and partners, including retained earnings)?

| | | | |
|---|---|---|---|
| 3 [1] Under $5,000 | 25 [4] $20,000-$49,999 | 6 [7] $250,000-$499,999 | N/A 3 |
| 4 [2] $5,000-$9,999 | 29 [5] $50,000-$99,999 | 1 [8] $500,000-$999,999 | |
| 10 [3] $10,000-$19,999 | 18 [6] $100,000-$249,999 | 1 [9] $1,000,000 or more | |

18. **Approximately** how much of **your time** is allocated to the following activities: (Please put the approximate **percentage** of **your** time spent in these areas over the course of the last twelve months)
76 10% Dealing with employees 76-77
82 10% Record-keeping (financial, government forms, etc.) 78-79
97 25% Direct selling or customer contact 80-81
66 20% Actual production or provision of services 82-83
62 5% Maintenance, upkeep, cleaning of physical plant 84-85
81 10% Purchasing or dealing with suppliers 86-87
67 8% Cash management and arranging financing 88-89
62 5% Planning firm growth/change 90-91
6 6% Other ______________ 92-93
median time spent, if any (please explain)
100% OF **YOUR** TIME – TOTAL
spent some time on the function

19. Since your first year in this business, have the average wages/salaries paid to your employees (for a person in a comparable job) increased, decreased or stayed about the same?
31 [1] Stayed the same 53 [3] Increased by about ______%
10 [2] No employees 2 [4] Decreased by about ______% N/A 4 94-96

19a. Since your first year in this business, have the number and/or quality of the benefits provided your employees, e.g. paid vacations, insurance, etc., increased, decreased, or stayed about the same?
[1] Increased 28 [2] Decreased 2 [3] Stayed the same 54 N/A 16 97

20. What sources of information or assistance have been most important to you in running your business during the last twelve months? Please rate each source below:

| | Very Important | Somewhat Important | Little Importance | Not Used | | |
|---|---|---|---|---|---|---|
| a. accountant; bookkeeper | 1 44 | 2 32 | 3 12 | 4 9 | N/A 3 | 1 |
| b. friends or relatives | 1 11 | 2 25 | 3 30 | 4 31 | N/A 3 | 2 |
| c. other business owners | 1 14 | 2 34 | 3 29 | 4 19 | N/A 4 | 3 |
| d. government programs or information sources | 1 * | 2 10 | 3 28 | 4 55 | N/A 7 | 4 |
| e. bankers | 1 15 | 2 26 | 3 29 | 4 26 | N/A 4 | 5 |
| f. trade organizations | 1 10 | 2 30 | 3 26 | 4 29 | N/A 5 | 6 |
| g. lawyers; attorneys | 1 8 | 2 21 | 3 30 | 4 36 | N/A 5 | 7 |
| h. generally available books, manuals, etc. | 1 16 | 2 38 | 3 26 | 4 16 | N/A 4 | 8 |
| i. franchisor or suppliers | 1 25 | 2 30 | 3 16 | 4 25 | N/A 4 | 9 |
| j. courses, seminars, workshops | 1 14 | 2 29 | 3 25 | 4 27 | N/A 7 | 10 |
| k. other ______ (please explain) | 1 3 | 2 1 | 3 2 | 4 11 | N/A 83 | 11 |

21. If you had a son or a daughter that wanted to go into business for himself/herself, to what extent would you approve or dissaprove? (Circle the number which best describes your degree of approval or dissapproval.)

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Completely Approve | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | Completely Dissapprove | 12-13 |
| | 17 | 12 | 12 | 9 | 3 | 17 | 2 | 4 | 6 | 1 | 4 | N/A 13 | |

22. To what extent has ownership of this business satisfied the following personal objectives: (Indicate the degree of satisfaction from 1 for "Very Satisfied" to 5 for "Not Satisfied".)

| | Very Satisfied | | | | Not Satisfied | | |
|---|---|---|---|---|---|---|---|
| a. Overcoming a challenge | 1 47 | 2 31 | 3 14 | 4 2 | 5 2 | N/A 4 | 14 |
| b. Gaining greater respect and recognition | 1 31 | 2 32 | 3 25 | 4 5 | 5 2 | N/A 5 | 15 |
| c. Building something for my family | 1 31 | 2 27 | 3 20 | 4 10 | 5 8 | N/A 4 | 16 |
| d. Earning lots of money | 1 6 | 2 14 | 3 27 | 4 18 | 5 30 | N/A 5 | 17 |
| e. Having greater control over my life | 1 31 | 2 29 | 3 20 | 4 10 | 5 7 | N/A 3 | 18 |
| f. Fulfilling expectations others have for me | 1 15 | 2 25 | 3 35 | 4 10 | 5 6 | N/A 9 | 19 |
| g. Using my skills and abilities | 1 48 | 2 34 | 3 12 | 4 2 | 5 1 | N/A 5 | 20 |
| h. Having steadier employment | 1 27 | 2 24 | 3 25 | 4 9 | 5 6 | N/A 9 | 21 |
| i. Living where and how I like | 1 34 | 2 24 | 3 21 | 4 9 | 5 8 | N/A 4 | 22 |

23. Looking back—knowing what you know now—would you go into this business again?

43 [1] Yes, I would do things pretty much the same way
39 [2] Yes, but I would make some major changes in the way I did it
11 [3] No, I would not go into this business again
3 [4] No, I would not go into any business again

N/A 4 23

**PLEASE DO NOT REMOVE THIS LABEL**
(Used for compiling geographic and industry information)

24. Approximately how much money were **you** personally able to "take out" of your business during the last 12 months (including salary, draw, dividends, etc.)?

15 [1] Prefer not to answer
22 [2] Under $10,000
11 [3] $10,000-$14,999
17 [4] $15,000-$24,999
13 [5] $25,000-$34,999
10 [6] $35,000-$49,999
5 [7] $50,000-$74,999
2 [8] $75,000 or more

N/A 95 24

25. How old were you when you became owner or principal manager of your business? __________ years old 25-26

26. What is your sex?
[1] Male 79 [2] Female 18 N/A 3 27

27. (Optional) If someone came to you for advice or suggestions about going into business, what would you tell them?

______________________________

______________________________

______________________________

______________________________

**Thank you very much. Your help is appreciated.**

# AGENDA

## 5TH CREATIVITY, INNOVATION AND ENTREPRENEURSHIP CONFERENCE

Hyatt Regency Cincinnati
Cincinnati, Ohio

Friday, March 18, 1987

8:15-9:00 am Registration

### REGENCY A

9:00-9:15 am **Welcome**

Dean E. Leonard Arnoff
University of Cincinnati
College of Business Administration

9:15-10:00 am Keynote Presentation

Henry E. Dorfman,
Publisher, Cincinnati Business Courier

10:00-10:15 am Coffee Break

10:15-11:15 am Workshop Series I:

### KEYSTONE

A. Creativity: The Key to Entrepreneurship

Tips and techniques to develop creativity in your business based on real life examples.

Dr. Bruce G. Whiting, Kutztown University

Dr. Lloyd W. Fernald, Jr., University of Central Florida

### HOOSIER A

B. Financial Decision Making for Small Businesses

Lotus Development Corporation will demonstrate how to better make financial decisions by using the Lotus 1-2-3 Small Business Kit.

Jim Richard, Lotus Development Corporation

## HOOSIER B

### C. Profiling Entrepreneuring

A discussion of a new method of examining and profiling entrepreneurs as well as their needs and motives in starting new ventures.

Dr. K. Mark Weaver, University of Alabama

## MOUNTAINEER

### D. Youth Entrepreneurship: America's Untapped Resources

A presentation by young entrepreneurs on their creative business ventures. Who they are. How they got started. Why they got started. Where they got started. When they got started.

John Bebris, National Center for Research in Vocational Education

Michael Calderone, President Calcom, Inc.

Sandra Ladenburger, President La Mirage

## WOLVERINE A

### E. Homebased Businesses:A Creative Approach to Starting a New Venture.

A workshop with nationally known successful homebased businesspeople discussing their own personal experiences with how they succeeded in their homebased businesses.

Ted H. Rice, Founder and Chairman of the Board: T.J. Cinnamon

## WOLVERINE B

### F. Young Entrepreneurs: Tomorrows Leaders

A discussion with one of America's leading experts on Young Entrepreneurs. The session will focus on examining how young entrepreneurs are succeeding in their new ventures.

Professor Fran Jabara, Wichita State University

REGENCY B & C

11:30-1:00 pm Luncheon

Dr. Ken Lipke, Chairman of the Board, Gibralter Steel Corporation

1:00-2:30 pm Workshop Series II

HOOSIER A

A. New Venture Techniques That Work: The Celluland Story

A workshop discussing new venture strategies focusing on the experiences of one successful entrepreneur who implemented those strategies.

Dr. George Hess, Loyola Marymont University

Kenneth Willig, Founder and President/CEO, CelluLand

HOOSIER B

B. Profit Improvement, Cash Management and Stategic Planning

A discussion with experts from Ernst & Whinney on various management tools available for high growth and emerging businesses. A hands-on session on how to improve your cash flow, minimize your expenses and maximize your profits.

Tom Goila, Partner-in-Charge Tax, Ernst & Whinney, Cincinnati

Richard Lozier- Senior Manager -Information Systems, Ernst & Whinney, Cincinnati

KEYSTONE

C. Characteristics of Entrepreneurs

An examination and discussion with some leading experts on how entrepreneurs respond to changing environments.

Dr. Erik Winslow, The George Washington University

Dr. George Solomon, U.S. Small Business Administration

## WOLVERINE A

D. **Evaluating A Business Opportunity - Or Is Your Idea A Viable Business?**

A workshop with a leading expert exploring the ins and outs of your business ideas and the important factors to consider in starting a new venture.

Steve Cohen, Director of Marketing, Entrepreneurial Service Group, Arthur Young

## MOUNTAINEER

E. **The Management of Advance Technology and Innovation (MATI)**

A way to disseminate research information on the innovation process to business, government executives as well as academics. To oversee inclusion of courses stressing the management of advance technology and innovation values within a College of Business Administration curriculum.

Dr. Sam Mantel, University of Cincinnati

## WOLVERINE B

F. **Innovative Training for Women Entrepreneurs**

A state funded project in six Ohio communities design by women entrepreneurs to train future women as entrepreneurs.

Dr. Cathy Ashmore, National Center for Research in Vocational Education

2:30-2:45 pm Coffee Break

3:00-4:30 pm **Workshop Series III**

## WOLVERINE A

A. **Homebased Businesses: A Creative Approach to Starting a New Venture.**

A workshop with nationally known successful homebased businesspeople discussing their own personal experiences with how they succeeded in their homebased businesses.

Ted H. Rice, Founder and Chairman of the Board: T.J. Cinnamons

## WOLVERINE B

B. **Control Data Corporation's Business Development Program: A Program to Assist Today's Entrepreneurs.**

Control Data Corporation discusses how and why their Business Development program can assist the creative and innovative entrepreneur.

Gene Agerton, Control Data Corporation

## HOOSIER A

## MOUNTAINEER

C. **Creative Problem Solving for Small Business**

Tips and techniques for small businesses to use creative problem solving to improve their business operations based on real life examples.

Raymond Binis, University of Cincinnati, Management Development Center

William Shephard, Creative Education Foundation

**HOOSIER B**

D. **Incubators: A Creative Approach to New Venture Initiation**

A discussion with a representative of the SBA's Office of Private Sector Initiative on current trends in small business incubators.

Anthony Robinson, Office of Private Sector Initiatives, SBA

**KEYSTONE**

E. Growth and Change in a Small Entrepreneurial Software Company

Meet one of America's fastest growing software entrepreneurs and learn how he dealt with growth and change in his entrepreneurial venture.

Dr. John Coyne, The George Washington University and Chairman of the Board Coyne Kalajian, Inc.

Arax Kalajian, Partner Coyne Kalajian, Inc.

REGENCY E & F

5:00-6:30 pm Reception Hosted by Sponsors

## Saturday, March 19, 1988

### REGENCY A

9:00- 9:45 am Keynote Presentation

Arthur Lipper III
Chairman, Venture Magazine

9:45-10:00 am Coffee Break

10:00-11:00 am Workshop Series IV

### HOOSIER A

A. Entrepreneurship Education for America's Youth

A presentation of model programs supporting youth entrepreneurship education nationwide.

Dr. Cathy Ashmore, National Center for Research in Vocational Education

Lou Perry, Kentucky Department of Education,

Sonia Price, Assistant Director of Program Services, Ohio Division of Vocational and Career Education

Joan Chambers, Louisville Magnet School

Gene McMurry, Kentucky Department of Education

### KEYSTONE

B. Setting the Climate for Creativity

Programs and activities focusing on how to create and stimulate creativity in the public and private sectors.

Charlie Clark, President Yankee Ingenuity, Inc.

HOOSIER B

C. Creative Entrepreneurial Education

Various programs and efforts to stimulate entrepreneurship by fostering a positive learning climate

Flynn Bucy, Acting Director, Center for Entrepreneurship, Baylor University

MOUNTAINEER

D. Creative Approaches to Sales and Marketing for Entrepreneurial Ventures.

Strategies for using creative approaches to market and sell your entrepreneurial venture's products and services.

Dr. John Redington, Kutztown University

WOLVERINE A

11:15-12:15 pm Workshop Series V

HOOSIER A

A. Making Advertising Work for Small Business

A how to workshop with Edmond Bruneau, consultant and author of the best selling book "Prescription for Advertising: A Common Sense Advertising Guide for Owner-Managers."

Edmond Bruneau, President Creative Consultants/
Author Rx for Advertising

HOOSIER B

B. The Entrepreneurs: Who are They?

Review and discussion of NFIB's five year study of over 5,000 entrepreneurs examining a variety of issues including who they are, what businesses they are in and how they are doing.

William Dennis, NFIB Foundation

Dr. William Dunkleberg, Dean, Temple University

WOLVERINE A

C. Unique Methods for Financial Analysis

Covidea, a joint venture of AT&T and Chemical Bank will discuss how they help small business.

Stephanie Burger, Covidea

KEYSTONE

D. Government Regulation and Creativity

Small business innovation is a positive function of both the number of businesses and the ease with which businesses can enter new activities or markets. Government policy can support creativity and entrepreneurship in numerous ways. Various examples of government (federal, state, and local) will be discussed.

Tom Gray, Chief Economist
U.S. Small Business Administration

## MOUNTAINEER

### E. Tapping Human Creativity for Rural Economic Development

A workshop designed to explore new and creative strategies for rural economic development.

Dr. Alex Pattakos, Boise State University

## WOLVERINE B

### F. People Say Its a Great Idea

Starting with an idea and hard work the trials and tribulations of a group of enterprising entrepreneurs with all the factors surrounding their business.

Pamela Barefoot, President, Blue Crab Bay Company, Inc.

Dr. Charles Barngrover, CEO, Computer ArtWorks Inc.

Sondra Ross, President, Sondra Ross Associates

## REGENCY B & C

12:30-2:00 pm Luncheon

Anthony Lemme
Founder and President, Source
Intermarketing Corp.

"The Persistent Entrepreneur: It Can Be Done!!"